

CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Prepared by:
Finance Department

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CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

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INTRODUCTORY SECTION

This section contains the following subsections

- ◆ **Letter of Transmittal**
- ◆ **Certificate of Achievement for
Excellence in Financial Reporting**
- ◆ **Organizational Chart**
- ◆ **Principal City Officials**

MISSION STATEMENT

"COMMITTED TO PUTTING CITIZENS FIRST WITH SERVICE EXCELLENCE"

March 15, 2004

Honorable Mayor and
Members of the City Commission, and
Citizens of the City of Leesburg, Florida

The Comprehensive Annual Financial Report (CAFR) of the City of Leesburg, Florida for the fiscal year ended September 30, 2003 is respectfully submitted. In addition to meeting legal requirements of the City Charter, Florida Statutes, and the Rules of the Auditor General of the State of Florida, the report continues the City's tradition of full financial disclosure.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. This report was compiled by the Accounting Division of the Finance Department, and represents the official report of the City's financial position and operations to the citizens, City Commission, management, rating agencies and other interested parties. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain a complete understanding of the City's financial activities have been included.

With the presentation of the CAFR for the fiscal year ended September 30, 2003, the City is implementing *Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* which represents a dramatic change in governmental financial reporting. The format and purpose of these changes are addressed in the Management Discussion and Analysis (See page 3). Additionally, the notes to the financial statements discuss the changes (See Note 1) and explain the effects of these changes.

To provide a reasonable basis for making these representations, the City has established an internal control structure that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). This internal control framework has been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that this financial report is complete and reliable in all material respects.

Pursuant to Florida Statutes, Chapter 11.45 and Chapter 10.550 of the Rules of the Auditor General of the State of Florida, an audit of the annual financial statements of the City of Leesburg has been completed by Purvis Gray and Company, a firm of independent certified public accountants, whose opinion is included as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Leesburg's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Leesburg's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Leesburg was founded and first settled in 1857 by Evander H. Lee, a native of Sumter, South Carolina. The City received its name as a result of shipping directions given by Calvin Lee, Evander's brother, during a merchandising trip to New York City in 1866. By a citizen vote of 23 to 2, the City of Leesburg was incorporated on July 12, 1875. The City was originally a part of Sumter County and served as the County seat until 1882 when the Florida Legislature created Lake County. The City has been a part of Lake County since then and is the oldest and highest populated of the fourteen (14) incorporated municipalities in Lake County, which include Astatula, Clermont, Eustis, Fruitland Park, Groveland, Howey-in-the-Hills, Lady Lake, Mascotte, Minneola, Montverde, Mount Dora, Tavares and Umatilla.

The City of Leesburg is situated between Lake Harris and Lake Griffin and continues south on US Highway 27 to the intersection of County Road 48. The City occupies a land area of 29.5 square miles and has a population of 16,290. The City of Leesburg is located in north central Florida midway between the Gulf of Mexico and the Atlantic Ocean, approximately 200 miles southeast of the State Capitol, Tallahassee, 80 miles northeast of Tampa, 40 miles northwest of Orlando and 70 miles southwest of Daytona Beach. The City is bisected by State Road 44, US Highway 27, and US Highway 441.

The City of Leesburg is known for its scenic beauty, relaxed lifestyle, recreational facilities, temperate climate, extensive waterways, and affordable housing. Waterfront living is a way of life with 1,400 beautiful lakes located in Lake County. Leesburg's beautiful 110-acre Venetian Gardens Park, boasts amenities such as a public swimming pool with bath house, community building, baseball field, volleyball courts, picnic tables, park benches, Kid's Korner playground, and the Venetian Cove Marina.

Leesburg Regional Airport is a 750-acre general aviation airport that houses fixed wing aircraft and helicopters. The airport is experiencing significant growth in corporate jet type aircraft. Businesses on airport property employ over 350 people. The airport features a 5,000 foot main runway and a 4,950 foot secondary runway, 3 non-precision instrument approaches for landing, tie downs, hangar facilities, flight schools, maintenance shops, restaurants, and a motel within ½ mile. The Fixed Base Operator offers fuel sales, both Jet A and 100LL AVGAS, car rental, and a courtesy vehicle. The City has

committed to an aggressive improvement program and has obtained grant funding for a tower, fire station and line service building.

The City of Leesburg is a political subdivision of the State of Florida. As such, it is governed by and derives its operating authority from the constitution and laws of the State of Florida. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City operates under a commission/manager form of government, with a governing body consisting of five City Commissioners, elected to staggered four-year terms. Three of the commission members must meet district residency requirements. The remaining two commissioners are elected at-large without a district residency requirement. One of the Commissioners is selected by the other four as Mayor on an annual basis. The City Commission is responsible for, among other things, passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances adopted by the City Commission for overseeing day-to-day operations of the City, appointing the department heads and approving hiring of all employees.

The City provides a traditional mix of governmental services including police and fire protection, storm water drainage, the construction and maintenance of streets and infrastructure, library, recreational activities, cultural events, planning, zoning, housing, and administrative services. In addition to general government activities, the City also provides a full range of utility services, including electric, natural gas, solid waste, communication services (which includes internet and fiber optic cable services), water and wastewater treatment.

The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit requests for appropriations to the City Manager, who uses these requests as the starting point for developing a proposed budget. The City Manager is required by the City Charter to keep the City Commission fully advised as to the financial condition and needs of the City and to submit an annual budget for its consideration. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget by September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function and department.

The City's adopted budget policy establishes budgetary control (i.e. the level at which expenditures cannot exceed the appropriated amount) at the fund level. Budgets for all governmental fund types are adopted on a basis consistent with GAAP. Department heads may make transfers of appropriations within a category from one division to another in their respective department, and transfers of appropriation between departments can be approved by the City Manager. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the City Commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 63 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 70.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Leesburg operates.

Local Economy. The City of Leesburg currently enjoys a favorable economic environment and local indicators point to continued stability. The City and Lake County as a whole has transitioned from its agricultural roots to a growth driven economy that is heavily centered in real estate, retail, personal services, and healthcare. Leesburg's top private sector employer is Leesburg Regional Medical Center, boasting a labor force of 1,800. Other companies such as Sprint, Dura Stress, Inc., and

Cutrale Citrus Juice, Inc., account for 5 percent of all employment in Lake County. Employment across virtually all industry sectors has risen significantly since 1990, with the notable exception of the manufacturing sector, which has fallen slightly over the past twelve years.

Many higher wage industries such as finance, insurance, and real estate, construction and wholesale trade are growing at higher rates than the lower wages retail sector, which provides a positive indicator that the wage structure of Leesburg and Lake County will continue to improve over time. Lake County's December 2003 unemployment rate stands at 3.7 percent. This rate is lower than the state average (4.4 percent) or any of the other three counties within the Orlando Metropolitan Statistical area. While the economy is slightly "soft" across Florida at present, Lake's and Leesburg increasingly diversified economic base positions it well in terms of its long-range strength relative to its neighbors and history.

Leesburg presently has an aggregate commercial/retail inventory of 1,382,267 square feet of department store, shopping center, convenience store, gas station, and restaurant space. Many of these shopping venues serve the increasing convenience and general merchandise shopping demands of Lake County residents as well as Leesburg. Leesburg's retail shopping center inventory is largely concentrated in three geographic nodes. These include the US Highway 27/County Road 48, the US Highway 441 Lake Square Mall area, and the US Highway 27/468 area.

The City is home to the largest distributor of GE appliances to contractors in the State of Florida. The City's central business district is expected to maintain its current 85% occupancy rate with a variety of stores, specialty shops, and commercial businesses. Meanwhile, the community has experienced an increase in residential development for seniors.

The Leesburg area is positioned at a crossroads of geographic expansion as the retirement market continues to push from the north while family households sustain the dominant market segment to the south. The factors that will influence future growth in this area are not dissimilar to the factors that are currently influencing growth in the central east of Florida. This area has embraced both market segments, and as a result, has become one of the emerging economic submarkets in all of Central Florida. Recognizing these factors, and tempering them with the reality that Leesburg faces a geographic challenge when compared to other adjacent areas in attracting employees; it is projected that the Leesburg submarket will capture the following shares of County Growth to 2025:

- Population and Housing: 1/3 of County growth
- Agriculture: 10%
- Mining: 43%
- Construction: 31%
- Manufacturing: 44%
- Transportation & Commuting: 39%
- Wholesale Trade: 42%
- Retail Trade: 30%
- Finance, Insurance etc: 39%
- Services: 45%
- Government: Wholesale Trade: 12%
- **Total: 36 % of County Growth**

Long-term financial planning. One of the 10 goals established by the City Commission shows their commitment to financial planning. The goal is stated as: "Financial Stability - Develop and implement policies which ensure the City's long term financial stability." The City Commission adopted several policies to demonstrated their commitment.

The utility departments are working on a 20-year business plan, and the 10-year Capital Improvement Plan which was adopted March 10, 2003 was the first step to a city-wide work plan. Utility improvements and replacements will be scheduled and completed based on the street paving work

plan. The City typically extends services beyond the current available infrastructure based on a calculation to recoup the initial investment over a 5-7 year period. Additional long range planning for the following utilities is listed below:

- **Electric** - The department consistently evaluates the costs of outsourcing specific activities. There is a plan to convert all overhead utility lines within the City to underground in 30 years to avoid future safety code compliance issues associated with poles and provide other savings.
- **Gas** – With the volatility of gas prices being a local concern, the City initiated pre-purchases of its winter natural gas supply to hedge price spikes that were seen the previous two winters.
- **Water reuse** – Plans to construct reuse transmission lines to position the facilities for delivery of public access reuse water to existing customers will be used with the new reuse system plant.
- **Wastewater** - Improvements to the Canal Street Treatment plant will rehabilitate and modernize equipment and processes to allow for production of public access reuse water from this facility.
- **Communications** - The City has expanded the business by marketing customers for fiber optic cable and internet services. Because of lower internet rates, and the offering of broadband telecommunications services, the City continued to extend fiber optic connections to customers.
- **Solid Waste** - The department will place a city owned dumpster at all commercial accounts within two (2) years. In addition, the department created roll-off service and franchise fee for all roll-off containers and compactors serviced by private haulers.

Information and technology is an important part of the City's operations, thus long term financial planning includes preparing to replace computers as they become obsolete. The MIS department owns or leases all computer equipment, and departments are charged for equipment based on a 3-year payback period. The fleet maintenance division is responsible for all vehicle repairs and purchases, and will do more planning for future vehicle purchases.

Cash management policies and practices. The City administers a cash management and investment program that seeks to maximize the amount of cash available to meet daily cash requirements and to obtain the highest possible yields consistent with restraints imposed by Florida Statutes. The Finance Director invests and disburses funds on behalf of the City Commission as required by law and applicable management directives. During fiscal year 1994-95, the City Commission adopted the City's first comprehensive investment policy. These policies were amended during fiscal year 1998-99 to incorporate basic internal controls over the investment function.

Cash temporarily idle during the year was invested in demand deposits, in overnight repurchase agreements, in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, in government securities authorized by the investment policy, money market funds and U.S. Treasury Obligations. Funds deposited in local banks and savings and loan associations were secured by pledges of approved collateral securities by the participating institutions. To ensure the most competitive rates on investments, the cash resources of the individual funds are combined to form a pool of cash and investments. For the cash and investment pool, the average monthly investment portfolio was \$58,774,089 in 2003. The average yield on investments was 2.48 percent. The City's investment performance compares favorably to an average rate of 1.53 percent for the State Investment Pool for the same period. The maturity of securities held at September 30, 2003 range from 3 ½ to 5 years, with an average maturity of 4.46 years. Investment income includes appreciation in the fair value of investments during the current year, which may not represent trends that will continue. The City earned interest revenue of \$1,448,833 on all of its investments for the year ended September 30, 2003. The average yield on investments was 12.4% for the pension trust funds.

Risk management. Risk management is the process of managing the City's activities in order to minimize the potential adverse effects of certain types of losses. During the ordinary course of its

operations, the City is exposed to various risks of losses. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the City.

The City maintains a self insurance risk management program for workers' compensation and healthcare coverage for employees and retirees. The City accumulates resources in the internal service funds to meet potential losses associated with this risk. Various techniques have been implemented to minimize accident related losses. Additional information on the City's risk management can be found in Note 13 of the notes to the financial statements. The healthcare self-insurance program was established October 1, 1984 for the payment of employee health and medical claims. The program provides for the payment of City and employee contributions into a self-insurance fund, which is managed by the City and a third party administrator, and a local insurance agent. The City's specific stop loss coverage provides that claims in excess of \$75,000, up to a maximum of \$925,000 per covered individual per year, are paid by the reinsurer. The aggregate stop loss reinsurance policy indemnifies the City if total claims paid during the year exceed the aggregate attachment point. The workers' compensation program provides for City contributions into a self-insurance fund, which is managed by the City and an independent third party administrator. Employee claims up to \$500,000 per occurrence are paid from the assets of the self-insurance fund, and excess amounts are paid from a reinsurance policy purchased by the City.

Pension and other postemployment benefits. The City utilizes three pension trust funds to account for three defined benefit pension plans operated by the City: the General Employees' Pension Fund, the Municipal Police Officers' Retirement Trust Fund and the Municipal Firemen's Retirement Trust Fund. All investments are managed by outside fund managers.

Every three years, an independent actuary engaged by the pension plan calculates the amount of the annual contribution the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City funds the Fire and General pension plans each year in an amount equal to the percentage of covered payroll as determined by the actuary for the General Employees Pension Plan. Sworn police officers and firefighters are covered by a defined benefit plan established pursuant to Chapters 175 and 185, Florida Statutes. The fire employees make a 6.5% contribution and the police officers contribute 7.65% to their respective plans, and the State contributes funds collected from insurance premium excise taxes. Therefore, the firefighters received pension payments from one plan, while the police officers are part of two pension plans.

The City of Leesburg also provides postretirement health care benefits for retirees and their dependents. At the end of the current fiscal year, there were 64 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Leesburg's pension arrangements and post employment benefits can be found in Notes 12 and 17 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leesburg for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the thirteenth consecutive year (fiscal years ended 1990-2002) that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

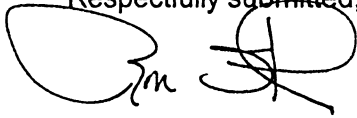
In addition, the City of Leesburg also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2002-03. This was the fifth consecutive year the City received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, as a financial document, as an operations guide, and as a communications device.

The preparation of this report on a timely basis was made possible through the efficient, dedicated and professional efforts of the entire staff of the Finance Department. Deputy Finance Director Diane Reichard deserves special recognition for the guidance, expertise, and diligence she provided throughout the report preparation process. The significant amount of year-end closing procedures required prior to the audit could not have been accomplished without members of the department who made personal sacrifices. Other City departments, although not extensively involved in year –

end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Credit must also be given to the mayor and the governing body for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Leesburg's finances.

We believe that this report clearly illustrates the financial position of the City of Leesburg and wish to thank you for your support and commitment to maintaining the financial integrity of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Ron Stock', written over a large, stylized circular flourish.

Ron Stock
City Manager

A handwritten signature in black ink, appearing to be 'William Pfeilsticker', written in a cursive style.

William Pfeilsticker
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leesburg,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

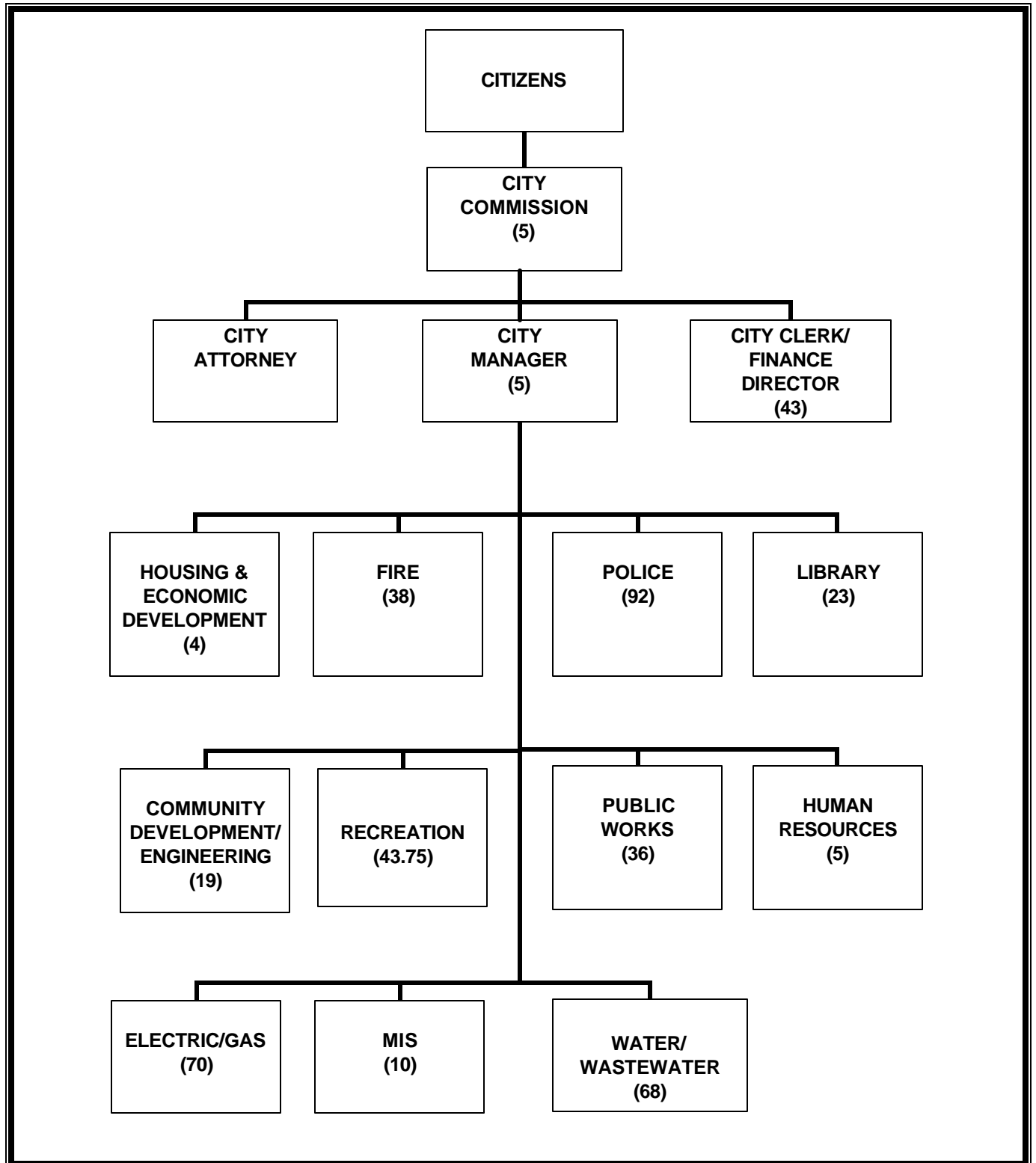


President

Executive Director

City of Leesburg, Florida

Organizational Chart



- NUMBERS REFLECT FULL TIME EQUIVALENT EMPLOYEES IN RESPECTIVE DEPARTMENTS

CITY OF LEESBURG, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2003

CITY COMMISSION

David L. Connelly	Seat Two, District Two	Mayor
David Knowles	Seat Five, At-Large	Mayor, Pro-Tem
C. Robert Lovell	Seat Four, At-Large	Commissioner
Ben Perry	Seat One, District One	Commissioner
Lewis Puckett	Seat Three, District Three	Commissioner

Ron Stock	Fred A. Morrison
City Manager	McLin & Burnsed P.A.
	City Attorney
William Pfeilsticker	Purvis Gray and Company
Finance Director	City Auditors

Robert Johnson	Deputy City Manager
Jakki Cunningham Perry	Human Resources/Safety Director
Stan Carter	Management Information Systems Director
H. Charles Idell, Jr.	Police Chief
Dennis M. Sargent	Fire Chief
Jim Richards	Director of Public Works
Laura McElhanon	Community Development Director
Ken Thomas	Housing & Economic Development Director
Barbara J. Morse	Library Director
Yvette E. Hartsfield	Recreation & Parks Director
Lloyd Shank	Director of Electric and Gas
Ray Sharp	Director of Environmental Services
Diane Reichard, CPA, CGFO	Deputy Finance Director

FINANCIAL SECTION

This Section contains the following subsections

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

- **Required Supplementary Information**

This subsection includes trend information regarding the three retirement plans and major fund budgetary comparison statements. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

- **Supplemental Schedules**

This subsection includes schedules that present combining non-major fund statements and individual fund budgetary schedules.

INDEPENDENT AUDITORS' REPORT

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Florida (the City) as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable City Commission
City of Leesburg
Leesburg, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

As discussed in note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2002. This results in a change in the format and content of the financial statements.

The Management's discussion and analysis and the major fund budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by GASB. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively form the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

December 31, 2003
Ocala, Florida

Furris, Gray and Company

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

The City of Leesburg's (the City) management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the letter of transmittal, beginning on page i, and the financial statements beginning on page 16.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2003 by \$153,866,748 (net assets). Of this amount, \$37,597,366 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,584,029.
- As of September 30, 2003, the City's governmental funds reported combined ending fund balances of \$7,459,881, a decrease of \$6,172,780 in comparison with the prior year, due mainly to the unspent accumulation of reserves in the capital projects fund as described in detail in the financial analysis section.
- On September 30, 2003, unreserved undesignated fund balance for the general fund was \$767,825 or 4.6% of total general fund expenditures and transfers out.
- Governmental fund revenues increased by \$3,555,151 or 17.5% over the prior fiscal year. The increase of \$1,471,677 in intergovernmental revenue was used for construction of a parking garage (CDBG grant) and airport projects (State grants).
- Although utility revenues (business-type activities) had a minimal increase of \$4,901,758 from \$55,999,608 to \$60,901,366, net income from operations before transfers was positive in all funds with the exception of the wastewater fund. Rates must be sufficient to meet the demands for service, so a rate study for water and wastewater was completed in December 2002 and implemented in February 2003. The wastewater rate increase occurred in 3 steps, and the final step will occur in October 2004, which will allow the City to recoup the operational losses that occurred over the past 2 years.
- The City's total debt increased by \$5,433,630 or 15.9% during fiscal year 2003. The key factor in this increase was the issuance of a note payable (known as Initial Pooled Loan Project) granted by Florida Municipal Power Agency to construct water reuse lines and rehabilitate the Canal Street Wastewater Treatment Plant.
- Infrastructure assets for street and sidewalk improvements prior to October 1, 1999 were added as of October 1, 2002 and depreciated during the year. The increase to net assets totaled \$11,586,797. This early implementation of GASB 34 is used for comparative purposes.

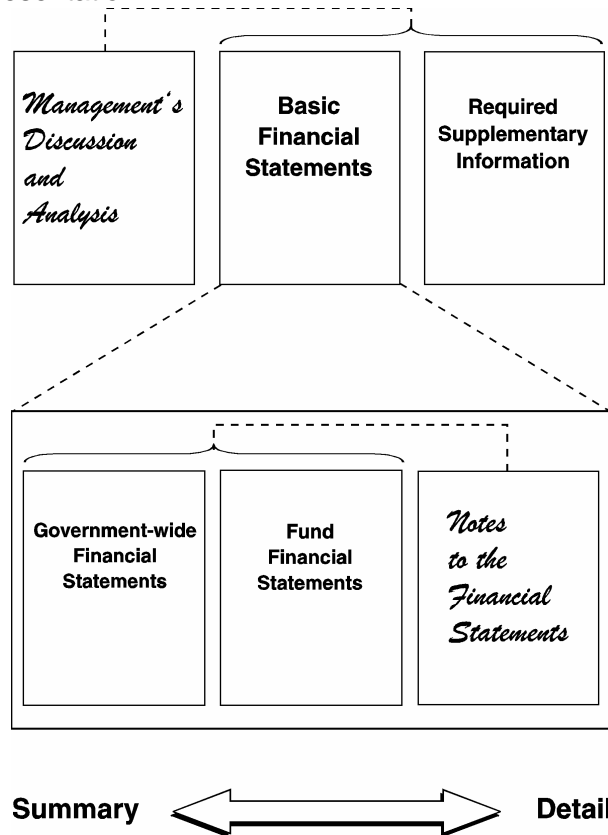
Overview of the Financial Statements

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1)

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This report also contains other supplementary information in addition to the basic financial statements that provide details about the City's nonmajor governmental and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The required parts of this annual report are arranged and relate to one another as shown in the following graphical representation:



Government-wide financial statements. The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, stormwater, economic development, human services, airport, marina, culture and recreation. The business-type activities include its electric, gas, water, wastewater, communications, and solid waste disposal utilities. The internal service funds, namely health insurance and workers' compensation, are recorded as governmental activities.

The City established the Greater Leesburg Community Redevelopment Agency and Carver Heights Community Redevelopment Agency as blended component units of the City. The Governing Boards are composed of the City Commission plus two members appointed by the City Commission, and are appropriately blended as governmental activities on the government-wide financial statements.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following 3 categories:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 8 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report. The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The governmental fund financial statements can be found on pages 18 through 21 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric,

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

gas, water, reuse water, wastewater, communications (internet and fiber optic), and solid waste utility operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for its self-insurance health and workers' compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds.

The proprietary fund financial statements can be found on pages 22 through 31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The fiduciary funds include pension trust funds for police, fire, and general employees.

The fiduciary fund financial statements can be found on pages 32 and 33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 62 of this report.

Infrastructure assets. The City elected to early-implement the infrastructure portion related to general governmental assets acquired prior to October 1, 1999. Historically, a government's largest group of infrastructure assets, such as roads, bridges, and sidewalks have not been reported nor depreciated in governmental financial statements. The new standard requires that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation.

The City has elected to depreciate its infrastructure assets.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents budgetary comparison schedules for the City's general fund as well as historical trend information for pension trust funds. Required supplementary information can be found on pages 63 through 65 of this report.

The combining statements and budgetary comparison schedules referred to earlier in connection with nonmajor governmental and internal service funds are presented in the other supplemental information section of this report. Combining statements and individual fund schedules for the nonmajor governmental funds, as well as for the internal service funds, can be found on pages 66 through 79 of this report.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Analysis

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$153,866,748 at the close of the fiscal year ended September 30, 2003.

At the end of fiscal year 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year.

City of Leesburg Net Assets			
	Governmental Activities	Business- Type Activities	Total
Assets			
Current and other assets	\$ 14,325,622	\$ 58,638,085	\$ 72,963,707
Capital assets (net)	<u>51,540,529</u>	<u>89,299,197</u>	<u>140,839,726</u>
Total assets	<u>65,866,151</u>	<u>147,937,282</u>	<u>213,803,433</u>
Liabilities			
Current and other liabilities	4,876,242	8,493,492	13,369,734
Long term liabilities:	<u>9,118,376</u>	<u>37,448,575</u>	<u>46,566,951</u>
Total liabilities	<u>13,994,618</u>	<u>45,942,067</u>	<u>59,936,685</u>
Net assets			
Invested in capital assets net of related debt	44,299,444	62,855,687	107,155,131
Restricted	944,332	8,169,919	9,114,251
Unrestricted:	<u>6,627,757</u>	<u>30,969,609</u>	<u>37,597,366</u>
Total net assets	<u>\$ 51,871,533</u>	<u>\$ 101,995,215</u>	<u>\$ 153,866,748</u>

The largest portion of the City's net assets are reflected in the investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. Capital assets total \$140,839,726, which is 65.9% of all assets, which total \$213,792,151. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the debt.

A portion of the City's net assets (6%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$37,597,366) may be used to meet the government's ongoing obligations to citizens and creditors and to provide the funding for various projects.

Since this is the first year to report net assets for the City, there is no comparison available to discuss changes in the net assets section. This table will be presented in comparative format next year and additional explanation will be prepared.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Statement of Activities. The following table reflects the condensed Statement of Activities for the current year as compared to the prior year. For more detailed information see the Statement of Activities on page 17.

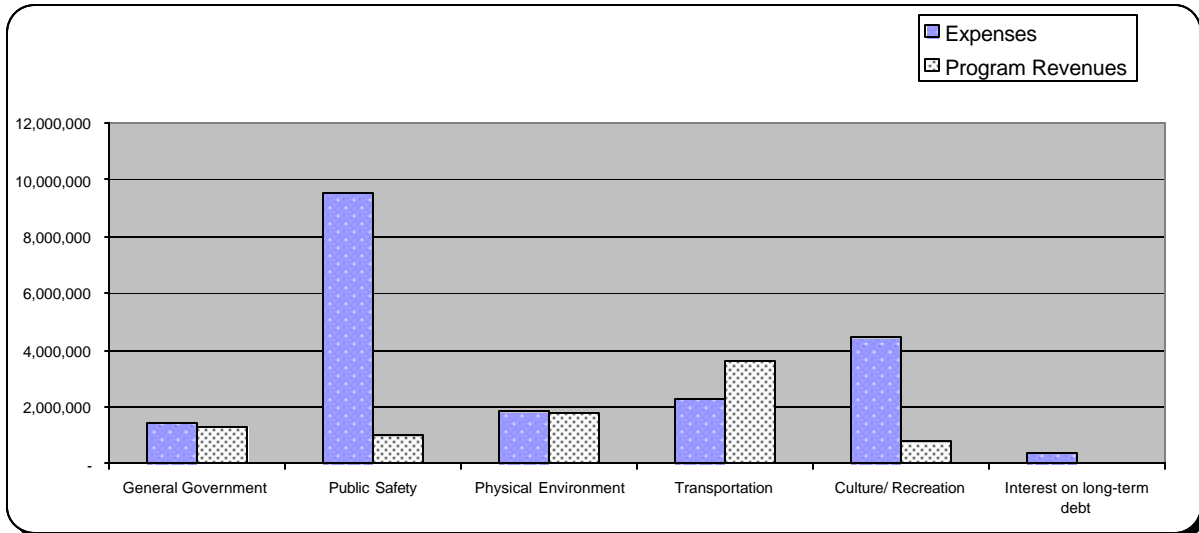
City of Leesburg Changes in Net Assets			
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 2,610,381	\$ 58,507,917	\$ 61,118,298
Operating grants and contributions	1,477,141	-	1,477,141
Capital grants and contributions	4,369,000	1,105,650	5,474,650
General revenues:			-
Property taxes	2,995,147	-	2,995,147
Utility service taxes	2,124,715	-	2,124,715
Other taxes	2,868,962	-	2,868,962
Other	1,448,774	1,287,799	2,736,573
Total Revenues	<u>17,894,120</u>	<u>60,901,366</u>	<u>78,795,486</u>
Expenses:			
General Government	1,451,272	-	1,451,272
Public Safety	9,478,560	-	9,478,560
Physical Environment	1,631,318	-	1,631,318
Transportation	2,266,516		
Economic Environment	206,318		
Human Services	82,812		
Culture/Recreation	4,423,002	-	4,423,002
Interest on long-term debt	384,983	1,407,567	1,792,550
Electric	-	35,935,969	35,935,969
Gas	-	6,621,244	6,621,244
Water	-	3,333,533	3,333,533
Wastewater	-	5,015,831	5,015,831
Solid Waste	-	2,624,743	2,624,743
Communications	-	347,789	347,789
Total expenses	<u>19,924,781</u>	<u>55,286,676</u>	<u>75,211,457</u>
Change in Net Assets Before Transfers	(2,030,661)	5,614,690	3,584,029
Transfers	<u>7,944,022</u>	<u>(7,944,022)</u>	<u>-</u>
Change in Net Assets	5,913,361	(2,329,332)	3,584,029
Net Assets - Beginning	<u>45,958,172</u>	<u>104,324,547</u>	<u>150,282,719</u>
Net Assets - Ending	<u>\$ 51,871,533</u>	<u>\$ 101,995,215</u>	<u>\$ 153,866,748</u>

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

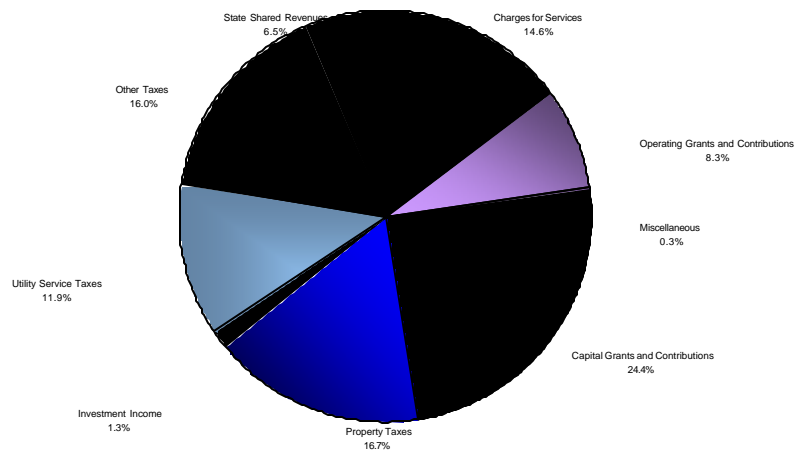
Governmental activities. Governmental activities increased the City's net assets by \$5,913,361, thereby accounting more than all of the total growth in the net assets of the City.

Expenses and Program Revenues - Governmental Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General Government	\$ 1,451,272	7.3%	\$ 1,295,631	15.3%	\$ (155,641)
Public Safety	9,561,372	48.0%	974,759	11.5%	(8,586,613)
Physical Environment	1,837,636	9.2%	1,800,883	21.3%	(36,753)
Transportation	2,266,516	11.4%	3,609,021	42.8%	1,342,505
Culture/ Recreation	4,423,002	22.2%	776,228	9.2%	(3,646,774)
Interest on long-term debt	384,983	1.9%		0.0%	(384,983)
	<u>\$ 19,924,781</u>	<u>100.0%</u>	<u>\$ 8,456,522</u>	<u>100.1%</u>	<u>\$ (11,468,259)</u>



Revenues by Source - Governmental Activities

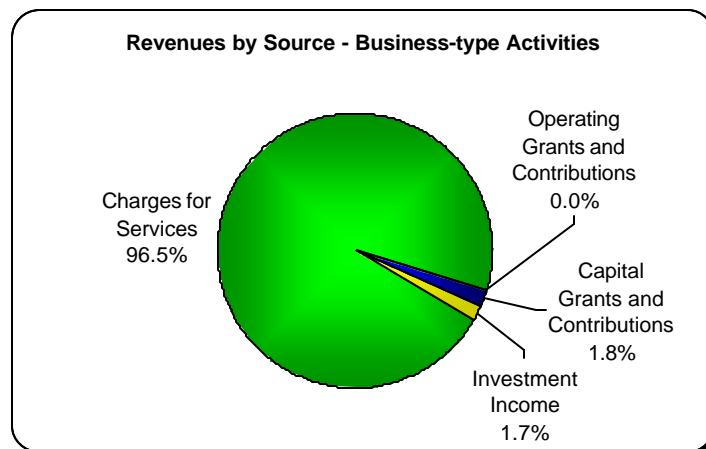
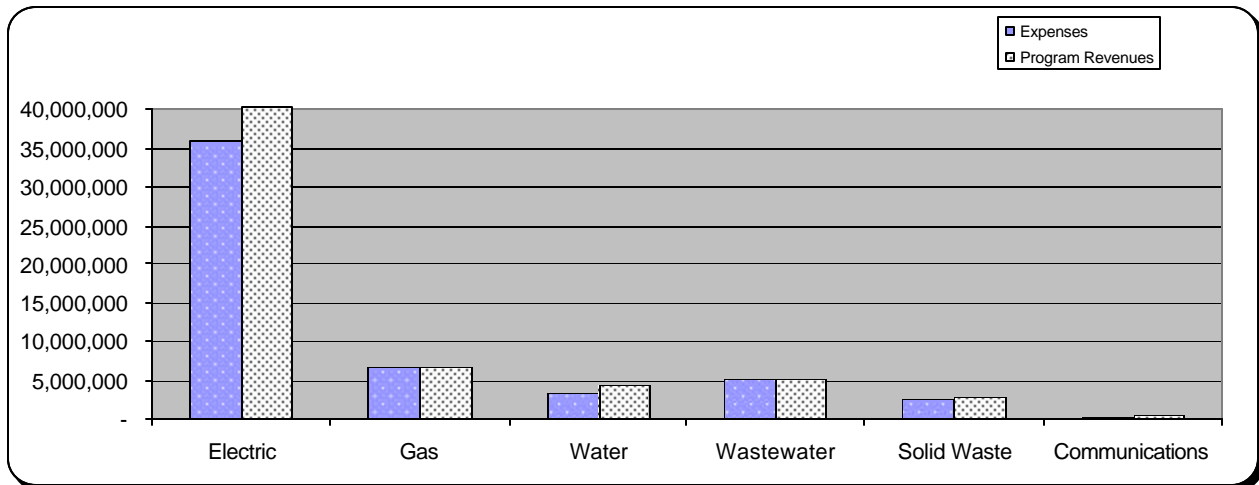


**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-type activities. Business-type activities decreased the City's net assets by \$2,329,332. Key elements of this decrease are the decreases in the electric, gas, water and wastewater funds of \$413,975, \$536,908, \$683,818 and \$760,805, respectively. A special transfer was made to the capital projects fund from the electric fund (\$740,402) and the water fund (\$1,260,685), which resulted in a net loss for the current year. The gas fund is undergoing a rate study and had sufficient reserves to sustain the net loss. The wastewater fund had a rate increase on February 1, and a 2nd step on October 1 which was necessary to sustain the debt service requirements. The 3rd step will be implemented on October 1, 2004.

Expenses and Revenues - Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Electric	\$ 35,935,969	65.0%	\$ 40,176,553	67.4%	\$ 4,240,584
Gas	6,621,244	12.0%	6,673,500	11.2%	52,256
Water	3,333,533	6.0%	4,307,887	7.2%	974,354
Wastewater	5,015,831	9.1%	5,210,694	8.7%	194,863
Solid Waste	2,624,743	4.7%	2,855,808	4.8%	231,065
Communications	347,789	0.6%	389,125	0.7%	41,336
Interest on long-term debt	1,407,567	2.5%	-	0.0%	(1,407,567)
	<u>\$ 55,286,676</u>	<u>100.0%</u>	<u>\$ 59,613,567</u>	<u>100.0%</u>	<u>\$ 4,326,891</u>



**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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A comparative analysis of government-wide data will be presented in future years when the information is available.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2003, the City's governmental funds reported combined ending fund balances of \$7,459,881, a decrease of \$6,172,780 in comparison with the prior year, due mainly to the unspent proceeds from the Capital Improvement Revenue Bonds, Series 1999 that were used to construct the Police Station (\$3,367,017). The capital projects fund also had reserves from the sale of the Babe Ruth property in 2000 (\$732,642) that were used to construct the Sleepy Hollow Recreation Complex. Accumulated reserves of \$2,400,433 from the local option infrastructure surtax were utilized to complete many projects in the capital projects fund.

Unreserved fund balance of the governmental funds is \$1,182,758, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the primary operating fund of the City. At the end of fiscal year 2003, the fund balance of the general fund was \$6,210,665, of which \$767,825 was unreserved. The City has a policy to reserve 20% of the annual budget as an operating reserve, which totals \$5,082,363 at the end of the current year. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.7% of total general fund expenditures, while total fund balance represents a healthy 35.7% of that same amount.

The fund balance of the City's general fund decreased by \$74,669 during the current fiscal year. This decrease was minimal compared to the projected use of fund balance appropriated and can be explained as follows:

- The City annexed the mall area which expanded the tax base by \$70,886,000 prior to December 21, 2002, and should generate additional revenue of \$303,038 to be received next fiscal year. However, it was necessary to maintain service levels effective January 1, so the police force increased by 7 officers and the firefighters added 6 positions, which resulted in an increase in operation and maintenance expenditures of \$406,522. Additional capital purchases totaled \$2,028,987 for 2 fire trucks, and a new fire station (which is partially grant funded). Capital purchases for 7 police cars and associated equipment totaled \$106,555.
- An increase in total general fund revenues of \$2,427,905 over fiscal year 2002, is primarily due to an increase of \$296,680 in ad valorem tax revenues, \$399,092 in utility services tax, and \$304,813 in a Lake County Water Authority grant to dredge Venetian Gardens.

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- Expenditures increased by \$3,689,301, primarily in public safety (\$1,360,694), public works (\$635,083), and recreation (\$761,412).
- The remainder of the change to revenues and expenses is the increase in the cost allocation from the utility departments to fund general fund operations. In fiscal year 2002, this expense to the utility fund was recorded as revenue in the general fund and totaled \$4,319,451. For fiscal year 2003, the amount was recorded as a contra expense of \$5,962,410, which results in a net change of \$1,642,959.
- Revenues exceeded budget by 3.4% and less than 100% of the appropriated budget (95.3%) was expended. The amount of additional revenue of \$342,715 and unspent appropriations of \$812,791 resulted in a minimal loss to the fund of \$74,669.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds. Unrestricted net assets of proprietary funds at the end of the year amounted to:

Fund	Unrestricted Net Assets
Electric	\$ 17,525,032
Gas	3,737,775
Water	8,281,124
Wastewater	3,299,285
Solid Waste	22,497
Communications	(1,896,104)
Total	<u>\$ 30,969,609</u>

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The following briefly summarizes the differences between the original budget and the final amended budget as presented in the budget to actual comparison, which shows an increase of \$876,426:

- \$617,792 in public safety for additions to police and fire to serve the Leesburg Lake Square Mall area.
- \$122,835 in public works to realign Echo Drive.
- \$54,351 in recreation for Venetian Gardens dredging
- Any transfer from reserves will be an increase in appropriations, as seen by the following:
 - \$10,020 for police department forfeiture proceeds
 - \$44,330 for the tower improvements
 - \$27,098 to increase insurance accounts in various departments

Of this increase, the annexation was budgeted from available fund balance, Echo Drive and Venetian Gardens were to be funded from intergovernmental revenues, and the remaining \$81,448 was transferred from reserves included in the current budget. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw the entire amount from existing fund balance.

**CITY OF LEESBURG, FLORIDA
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The decrease in revenue was primarily attributable to a change in how fleet maintenance charges for services, miscellaneous revenue for cost allocation to the utilities, and the MIS charge for leasing computer equipment are recorded. In prior years, these charges were recorded as revenue in the general fund. At fiscal year end, those revenues were moved to a contra expense in the appropriate division of the general fund. These changes amount to \$895,741 for fleet maintenance, \$4,893,369 for cost allocation, and \$173,300 for computer leases. These contra expenditures to the individual divisions totaling \$5,962,410 were greater than the budgeted amount of \$5,862,320, thus creating a gain on the financial statements.

The final budget anticipated \$1,359,515 to be expended from available fund balance. During the year, however, revenues exceeded and expenditures were less than budgetary estimates, which limited the need to draw upon existing fund balance to \$74,669. This was addressed in the governmental funds section of the financial analysis previously discussed.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2003 amounts to \$140,839,726 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 13.5%. The capital assets related to governmental activities were restated to include infrastructure. Infrastructure was not previously capitalized by the City.

The majority of the increase in capital assets is attributable to governmental-type activities that occurred in the capital projects fund for the following expenditures in the current year:

- The construction costs associated with the City's new Police Station were \$4,532,105.
- Costs associated with the construction of Sleepy Hollow Recreation Complex totaled \$1,661,990.
- The downtown parking garage was near completion at a cost of \$1,014,393.
- Airport land (Service Merchandise) was acquired at a cost of \$1,730,169.
- Other airport construction projects that were still in process at the end of the fiscal year totaled \$2,134,460,

To a lesser extent, capital assets attributable to business-type activities increased for all funds except solid waste. A few of the major projects and the amounts expended during the current year are identified as follows:

- \$759,177 for the design of a water reuse system and installation of some reuse mains.
- Rehabilitation of lift stations and associated collecting sewer systems totaling \$513,843.
- Upgrade the Canal Street Wastewater Treatment Plant at a cost of \$184,170.
- The major electric lighting projects, which are part of the total cost of \$1,844,259 for the current year, are specifically identified as follows: Highway 441, CR 470 and Turnpike, Sleepy Hollow Recreation Complex, Police Station, Highway 441, and parking garage.
- Reconductoring on Picciola Road and other reconductoring projects totaled \$494,715.

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- Electric distribution lines in the service territory and improvements to 8 subdivisions that totaled \$2,150,602.
- Improvements to the new gas facility at a cost of \$212,246.
- Expanding communication operations by extending fiber optic cable at a cost of \$813,797, which include runs to Tavares library, from Airport substation on 44 to CR 473 in Bassville Park, First Federal in Eustis, EMS in Mt. Dora, and various City facilities.

**City of Leesburg
Capital Assets**

	Governmental Activities	Business-Type Activities	Total
Land	\$ 7,927,051	\$ 7,039,212	\$ 14,966,263
Buildings	18,070,314	20,977,850	39,048,164
Improvements Other Than Buildings	9,083,983	74,925,220	84,009,203
Equipment	10,177,049	30,860,718	41,037,767
Infrastructure	20,715,576	-	20,715,576
Construction in Progress	13,026,736	10,476,649	23,503,385
	79,000,709	144,279,649	223,280,358
Less: Accumulated Depreciation	(27,460,180)	(54,980,452)	(82,440,632)
Capital Assets, Net	<u>\$ 51,540,529</u>	<u>\$ 89,299,197</u>	<u>\$ 140,839,726</u>

Additional information on the City's capital assets can be found in Note 6 on pages 46 - 47 of this report.

Long-term debt

At the end of fiscal year 2003, the City had total long-term debt outstanding of \$46,566,951. Of this amount, \$33,435,000 represents bonds secured solely by specified revenue sources. \$7,045,000 of the revenue bonds are applicable to governmental activities, and \$26,390,000 are for the business-type activities. Other long-term debt items include notes payable, CR #3 decommissioning cost payable, landfill postclosure payable and compensated absences.

The City's bonded debt had a net decrease of \$630,000 during fiscal year 2003, due to the normal principal debt service payments.

The City secured a loan from FMPA for financing the construction of a new water reuse facility and rehabilitation of the wastewater treatment plant at Canal Street. This new debt of \$6,077,000 increased the debt in business-type activities by 19.2%

Additional information on the City's debt can be found in Note 8 on pages 48 - 52 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lake County at September 30, 2003 was 4.8%, which is an increase from a rate of 4.7% a year ago. This compares favorably to the state's average of 5.2% and the national average rate of 6.1%.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

- The taxable value of commercial and residential property increased 2.4% in the 2003 fiscal year.
- Building permit activity had a steady increase of 12%, which can be specifically shown as 11.7% for residential and 9.6% for commercial in the 2003 fiscal year.
- Population only increased 1.2% from the prior fiscal year to 16,290 at September 30, 2003, but the City anticipates growth over the next 5 years as development occurs on the 4,872 acres that have been annexed in the past 3 years.
- The airport continues to expand and a grant related project will aid the fire department with construction of a Fire Station at the Airport and a new fire truck, which should improve operations and response times at the airport and the mall area.

During the current fiscal year, unreserved undesignated fund balance in the general fund increased to \$767,825, and the City did not appropriate any of this amount in the 2004 fiscal year budget. In addition, the ad valorem tax rate for the general fund was not increased for the 2003 fiscal year budget.

As previously mentioned, the rate study for water and wastewater was implemented in February 2003, which generated an average increase of 4.3% to the water rates and 20.4% to the wastewater rates. The wastewater rates will have 2 more increases in October 2003, and October 2004, which should result in a total approximate increase of 58%. The City hired R. W. Beck, Inc. as a consultant to review electric and gas rates, and, if necessary, the rate adjustment will be implemented on October 1, 2004.

Requests for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, please contact the City's Finance Department at 501 West Meadow Street (PO Box 490630), Leesburg, Florida 34749-0630, or call (352) 728-9720.

BASIC FINANCIAL STATEMENTS

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

	Governmental Activities	Business- type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 10,515,031	\$ 45,815,131	\$ 56,330,162
Investments		3,038,350	3,038,350
Receivables (Net)	504,699	7,594,612	8,099,311
Prepaid Items	14,203		14,203
Due from Other Governments	3,053,788	11,095	3,064,883
Inventories	78,149	1,747,025	1,825,174
Notes Receivable - Employees	159,752		159,752
Capital Assets, Net of Accumulated Depreciation:			
Land	7,927,051	7,039,212	14,966,263
Buildings and Improvements	16,576,520	59,792,215	76,368,735
Machinery and Equipment	3,264,422	11,991,121	15,255,543
Infrastructure	10,745,800		10,745,800
Construction in Progress	13,026,736	10,476,649	23,503,385
Unamortized Bond Issue Costs		431,872	431,872
Total Assets	65,866,151	147,937,282	213,803,433
Liabilities			
Accounts Payable	3,947,935	4,362,014	8,309,949
Accrued Liabilities	476,530	1,273,129	1,749,659
Customer Advances for Construction		40,634	40,634
Customer Deposits		2,137,597	2,137,597
Accrued Interest on Long-term Liabilities	186,940	680,118	867,058
Deferred Revenue	264,837		264,837
Long-term Liabilities:			
Due Within One Year	1,055,099	989,625	2,044,724
Due in More Than One Year	8,063,277	36,458,950	44,522,227
Total Liabilities	13,994,618	45,942,067	59,936,685
Net Assets			
Invested in Capital Assets, Net of Related Debt	44,299,444	62,855,687	107,155,131
Restricted for:			
Community Redevelopment	227,201		227,201
Public Safety	131,653		131,653
C.U.R.E. Program	1,088		1,088
Capital Projects	454,390	7,207,808	7,662,198
Debt Service	130,000	523,111	653,111
Gas Depository Trust		439,000	439,000
Unrestricted	6,627,757	30,969,609	37,597,366
Total Net Assets	\$ 51,871,533	\$ 101,995,215	\$ 153,866,748

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
General Government	\$ 1,451,272	\$ 213,724	\$ 0	\$ 1,081,907	\$ (155,641)	\$ 0	\$ (155,641)
Public Safety	9,478,560	707,634	260,495	6,630	(8,503,801)	0	(8,503,801)
Physical Environment	1,631,318	759,820	899,331	141,732	169,565	0	169,565
Transportation	2,266,516	529,970	315,585	2,763,466	1,342,505	0	1,342,505
Economic Environment	206,318	0	0	0	(206,318)	0	(206,318)
Human Services	82,812	0	0	0	(82,812)	0	(82,812)
Culture/Recreation	4,423,002	399,233	1,730	375,265	(3,646,774)	0	(3,646,774)
Interest on Long-term Debt	384,983	0	0	0	(384,983)	0	(384,983)
Total Governmental Activities	19,924,781	2,610,381	1,477,141	4,369,000	(11,468,259)	0	(11,468,259)
Business Type Activities							
Electric	35,935,969	40,018,906	0	157,647	0	4,240,584	4,240,584
Gas	6,621,244	6,673,500	0	0	0	52,256	52,256
Water	3,333,533	3,961,263	0	346,624	0	974,354	974,354
Wastewater	5,015,831	4,609,315	0	601,379	0	194,863	194,863
Solid Waste	2,624,743	2,855,808	0	0	0	231,065	231,065
Communication Services	347,789	389,125	0	0	0	41,336	41,336
Interest on Long-term Debt	1,407,567	0	0	0	0	(1,407,567)	(1,407,567)
Total Business Type Activities	\$ 55,286,676	\$ 58,507,917	\$ 0	\$ 1,105,650	0	4,326,891	4,326,891
General Revenues							
Taxes:							
Property Taxes					2,995,147	0	2,995,147
Utility Service Taxes					2,124,715	0	2,124,715
Other Taxes					2,868,962	0	2,868,962
State Shared Revenues					1,155,991	0	1,155,991
Investment Income					231,198	1,053,329	1,284,527
Miscellaneous					61,585	234,470	296,055
Transfers from (to) Other Funds					7,944,022	(7,944,022)	0
Total General Revenues, Special Items and Transfers					17,381,620	(6,656,223)	10,725,397
Change in Net Assets					5,913,361	(2,329,332)	3,584,029
Net Assets, Beginning					45,958,172	104,324,547	150,282,719
Net Assets, Ending					\$ 51,871,533	\$ 101,995,215	\$ 153,866,748

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,980,292	\$ 249,311	\$ 910,237	\$ 7,139,840
Receivables (Net)	306,287		87,342	393,629
Due from Other Governments	542,295	1,750,020	761,473	3,053,788
Prepaid Items	14,203			14,203
Inventory	78,149			78,149
Notes Receivable - Employees	159,752			159,752
Total Assets	<u>7,080,978</u>	<u>1,999,331</u>	<u>1,759,052</u>	<u>10,839,361</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	679,797	1,544,941	226,435	2,451,173
Accrued Wages and Payroll Tax	456,284			456,284
Accrued Interest			186,940	186,940
Deferred Revenue	264,837			264,837
Due to Other Governments			20,246	20,246
Internal Balances	(530,605)		530,605	0
Total Liabilities	<u>870,313</u>	<u>1,544,941</u>	<u>964,226</u>	<u>3,379,480</u>
Fund Balances				
Reserved for:				
Notes Receivable - Employees	159,752			159,752
Computer Maintenance	53,781			53,781
Police Education and Other Expenditures	128,847			128,847
Fire Expenditures	2,806			2,806
Prepays	14,203			14,203
C.U.R.E. Program	1,088			1,088
Capital Projects		454,390		454,390
Operating Reserve	5,082,363			5,082,363
Community Redevelopment			249,893	249,893
Debt Service			130,000	130,000
Unreserved Reported in:				
General Fund	767,825			767,825
Special Revenue Funds			414,933	414,933
Total Fund Balances	<u>6,210,665</u>	<u>454,390</u>	<u>794,826</u>	<u>7,459,881</u>
Total Liabilities and Fund Balances	<u>\$ 7,080,978</u>	<u>\$ 1,999,331</u>	<u>\$ 1,759,052</u>	<u>\$ 10,839,361</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2003

Total Fund Balances of Governmental Funds	\$ 7,459,881
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**Amounts Reported for Governmental Activities in the Statement of
Assets are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$79,000,709, and the accumulated depreciation is \$27,460,180.	51,540,529
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The internal service fund is used by management to charge the costs of health insurance and workers' compensation services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,989,499
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Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental funds.
Long-term liabilities at year end consist of:

Capital Improvement Revenue Bonds	(7,045,000)
Note Payable	(196,085)
Suit Settlement Accrual	(330,000)
Compensated Absences	(1,547,291)
	(9,918,376)

Total Net Assets of Governmental Activities	\$ 51,871,533
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The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,907,641	\$ 1,254,754	\$ 0	\$ 8,162,395
Licenses and Permits	431,630	0	0	431,630
Intergovernmental	1,524,804	3,086,080	2,407,130	7,018,014
Charges for Services	258,836	0	645,734	904,570
Fines and Forfeitures	288,317	0	0	288,317
Miscellaneous:				
Interest	138,100	75,947	17,151	231,198
Other	796,355	59,452	2,189	857,996
Total Revenues	<u>10,345,683</u>	<u>4,476,233</u>	<u>3,072,204</u>	<u>17,894,120</u>
Expenditures				
Current:				
General Government	1,072,010	0	0	1,072,010
Public Safety	9,154,635	0	0	9,154,635
Physical Environment	171,839	0	1,350,061	1,521,900
Transportation	1,134,593	0	0	1,134,593
Economic Environment	120,496	0	69,239	189,735
Human Services	45,769	0	0	45,769
Culture and Recreation	4,004,672	0	0	4,004,672
Capital Outlay	644,286	12,453,037	1,206,932	14,304,255
Debt Service:				
Principal Payments	60,000	0	138,370	198,370
Interest and Fees	0	0	384,983	384,983
(Total Expenditures)	<u>(16,408,300)</u>	<u>(12,453,037)</u>	<u>(3,149,585)</u>	<u>(32,010,922)</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(6,062,617)</u>	<u>(7,976,804)</u>	<u>(77,381)</u>	<u>(14,116,802)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	6,112,628	2,006,087	90,880	8,209,595
Transfers to Other Funds	(124,680)	0	(140,893)	(265,573)
Total Other Financing Sources (Uses)	<u>5,987,948</u>	<u>2,006,087</u>	<u>(50,013)</u>	<u>7,944,022</u>
Net Change in Fund Balances	(74,669)	(5,970,717)	(127,394)	(6,172,780)
Fund Balances - Beginning	<u>6,285,334</u>	<u>6,425,107</u>	<u>922,220</u>	<u>13,632,661</u>
Fund Balances - Ending	<u>\$ 6,210,665</u>	<u>\$ 454,390</u>	<u>\$ 794,826</u>	<u>\$ 7,459,881</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (6,172,780)

**Amounts Reported for Governmental Activities in the Statement of Activities are
Different Because:**

Governmental funds report capital purchases as an expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$14,304,255, less net book value of disposals of \$83,854 exceeded depreciation expense of \$2,743,097. 11,477,304

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net assets. This is a list of those repayments.

Principal Repayments:

Capital Improvement Revenue Bonds	125,000
Note Payable	13,370
Lawsuit Settlement	60,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(161,457)
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The internal service funds are used by management to charge the costs of activities that benefit the entire government. The net revenue (expense) of the internal service funds is reported with governmental activities.	571,924
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Change in Net Assets of Governmental Activities	\$ 5,913,361
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The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003

	Business-type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 14,088,419	\$ 3,568,067	\$ 7,967,362	\$ 2,248,199
Internal Balances	1,897,723			
Due from Other Governments				3,074
Receivables:				
Customer Accounts - Unbilled	2,586,074	304,002	280,473	338,203
Customer Accounts - Billed	3,393,585	247,063	212,561	467,331
(Allowance for Doubtful Accounts)	(399,982)	(68,467)	(44,928)	(61,999)
Miscellaneous Receivables				
Inventory	1,743,692			3,333
Total Current Assets	<u>23,309,511</u>	<u>4,050,665</u>	<u>8,415,468</u>	<u>2,998,141</u>
Noncurrent Assets:				
Restricted Assets:				
Equity in Pooled Cash and Equivalents:				
Debt Service Account	484,656	59,334	141,791	517,447
Renewal and Replacement Account	3,174,692	353,046	941,397	671,340
Impact Fees Account			1,158,543	908,790
Depository Trust Account		439,000		
Customer Deposits Account	1,863,704	113,960	110,175	44,315
FMPA Loan - Cash with Trustee	514,000		3,009,500	2,553,500
Investments:				
Crystal River Decommissioning Trust Account	3,038,350			
Total Restricted Assets	<u>9,075,402</u>	<u>965,340</u>	<u>5,361,406</u>	<u>4,695,392</u>
Property, Plant and Equipment:				
Land	398,126	95,111	121,945	6,395,330
Buildings and Improvements	50,104,183	8,547,955	13,919,489	20,913,201
Machinery and Equipment	11,723,755	1,528,027	2,501,922	12,113,392
(Accumulated Depreciation and Amortization)	(26,652,180)	(3,567,009)	(9,131,427)	(13,428,106)
Construction in Progress	4,199,251	576,065	2,376,860	2,666,635
Total Property, Plant and Equipment	<u>39,773,135</u>	<u>7,180,149</u>	<u>9,788,789</u>	<u>28,660,452</u>
Other Assets:				
Unamortized Bond Issue Costs	125,054	15,312	36,586	254,920
Total Noncurrent Assets	<u>48,973,591</u>	<u>8,160,801</u>	<u>15,186,781</u>	<u>33,610,764</u>
Total Assets	<u><u>\$ 72,283,102</u></u>	<u><u>\$ 12,211,466</u></u>	<u><u>\$ 23,602,249</u></u>	<u><u>\$ 36,608,905</u></u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003
(Continued)

Business-type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 27,872,047	\$ 836,815	\$ 41,636	\$ 28,750,498	\$ 3,375,191
1,897,723		(1,897,723)	0	
3,074	8,021		11,095	
3,508,752	184,734	16,635	3,710,121	
4,320,540	178,554	11,781	4,510,875	
(575,376)	(51,298)	290	(626,384)	
0			0	111,070
1,747,025			1,747,025	
<u>38,773,785</u>	<u>1,156,826</u>	<u>(1,827,381)</u>	<u>38,103,230</u>	<u>3,486,261</u>
1,203,228			1,203,228	
5,140,475			5,140,475	
2,067,333			2,067,333	
439,000			439,000	
2,132,154	1,415	4,028	2,137,597	
6,077,000			6,077,000	
3,038,350			3,038,350	
<u>20,097,540</u>	<u>1,415</u>	<u>4,028</u>	<u>20,102,983</u>	<u>0</u>
7,010,512	28,700		7,039,212	
93,484,828	66,890	2,351,352	95,903,070	
27,867,096	2,559,012	434,610	30,860,718	
(52,778,722)	(1,568,342)	(633,388)	(54,980,452)	
9,818,811		657,838	10,476,649	
<u>85,402,525</u>	<u>1,086,260</u>	<u>2,810,412</u>	<u>89,299,197</u>	<u>0</u>
431,872	0	0	431,872	0
105,931,937	1,087,675	2,814,440	109,834,052	0
<u>\$ 144,705,722</u>	<u>\$ 2,244,501</u>	<u>\$ 987,059</u>	<u>\$ 147,937,282</u>	<u>\$ 3,486,261</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003
(Continued)

	Business-type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Liabilities				
Current Liabilities:				
Accounts and Retainage Payable	\$ 3,671,988	\$ 223,803	\$ 89,321	\$ 146,450
Accrued Expenses	1,131,490	41,699	30,201	37,022
Compensated Absences	197,718	49,689	65,123	66,503
Customer Advances for Construction	31,734			8,900
Estimated Landfill Closure Cost Payable				
Total Current Liabilities	<u>5,032,930</u>	<u>315,191</u>	<u>184,645</u>	<u>258,875</u>
Liabilities Payable from Restricted Assets:				
Customer Deposits	1,863,704	113,960	110,175	44,315
Accrued Interest on Revenue Bonds	225,966	27,644	66,998	359,510
Current Portion of Bonds Payable	258,849	31,689	75,730	158,732
Total Liabilities Payable from Restricted Assets	<u>2,348,519</u>	<u>173,293</u>	<u>252,903</u>	<u>562,557</u>
Noncurrent Liabilities:				
FMPA Loan Payable	514,000		3,009,500	2,553,500
Refunding Revenue Bonds Payable	8,708,432	1,066,123	2,547,752	13,542,693
(Unamortized Discount and Loss on Refunding)	(288,071)	(35,267)	(84,280)	(218,990)
Compensated Absences	161,769	40,655	53,282	54,411
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable	3,979,150			
Total Noncurrent Liabilities	<u>13,075,280</u>	<u>1,071,511</u>	<u>5,526,254</u>	<u>15,931,614</u>
Total Liabilities	<u>20,456,729</u>	<u>1,559,995</u>	<u>5,963,802</u>	<u>16,753,046</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	30,867,959	6,089,960	7,182,589	14,818,507
Restricted for:				
Debt Service	258,690	31,690	74,794	157,937
Capital Projects	3,174,692	353,046	2,099,940	1,580,130
Gas Depository Trust		439,000		
Unrestricted (Accumulated Deficit)	<u>17,525,032</u>	<u>3,737,775</u>	<u>8,281,124</u>	<u>3,299,285</u>
Total Net Assets	<u>\$51,826,373</u>	<u>\$10,651,471</u>	<u>\$17,638,447</u>	<u>\$19,855,859</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003
(Concluded)

Business-type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 4,131,562	\$ 171,968	\$ 58,484	\$ 4,362,014	\$ 25,608
1,240,412	22,478	10,239	1,273,129	1,471,154
379,033	36,592		415,625	
40,634			40,634	
0	49,000		49,000	
<u>5,791,641</u>	<u>280,038</u>	<u>68,723</u>	<u>6,140,402</u>	<u>1,496,762</u>
2,132,154	1,415	4,028	2,137,597	
680,118			680,118	
525,000			525,000	
<u>3,337,272</u>	<u>1,415</u>	<u>4,028</u>	<u>3,342,715</u>	<u>0</u>
6,077,000			6,077,000	
25,865,000			25,865,000	
(626,608)			(626,608)	
310,118	29,939		340,056	
0	824,352		824,352	
3,979,150			3,979,150	
<u>35,604,660</u>	<u>854,291</u>	<u>0</u>	<u>36,458,950</u>	<u>0</u>
44,733,572	1,135,744	72,751	45,942,067	1,496,762
58,959,015	1,086,260	2,810,412	62,855,687	
523,111			523,111	
7,207,808			7,207,808	
439,000			439,000	
32,843,216	22,497	(1,896,104)	30,969,609	1,989,499
<u>\$ 99,972,150</u>	<u>\$ 1,108,757</u>	<u>\$ 914,308</u>	<u>\$ 101,995,215</u>	<u>\$ 1,989,499</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Operating Revenues				
Charges for Services	\$ 39,500,479	\$ 6,599,450	\$ 3,922,192	\$ 4,508,716
Other	518,427	74,050	39,071	100,599
Total Operating Revenues	<u>40,018,906</u>	<u>6,673,500</u>	<u>3,961,263</u>	<u>4,609,315</u>
Operating Expenses				
Power Generation and Transmission	1,473,051			
Purchased Energy	26,247,788	4,339,696		
Supply and Pumping				153,317
Treatment			792,210	1,231,252
Distribution and Collection	2,663,414	692,763	674,944	959,385
Customer Accounts	1,102,623	477,885	646,917	618,723
General and Administrative	1,943,168	831,739	663,821	724,135
Operating Expenses				
Depreciation and Amortization	2,395,475	276,254	555,641	1,309,310
Change in Postclosure Estimate				
(Total Operating Expenses)	<u>(35,825,519)</u>	<u>(6,618,337)</u>	<u>(3,333,533)</u>	<u>(4,996,122)</u>
Operating Income (Loss)	<u>4,193,387</u>	<u>55,163</u>	<u>627,730</u>	<u>(386,807)</u>
Nonoperating Revenues (Expenses)				
Investment Income	608,177	101,747	238,010	87,568
Capital Contributions/Impact Fees	157,647		346,624	601,379
Other Nonoperating Income	191,223		2,974	5,623
Interest Expenses	(481,530)	(57,146)	(133,876)	(718,043)
Other Nonoperating Expense	(110,450)	(2,907)		(19,709)
Total Nonoperating Revenues (Expenses)	<u>365,067</u>	<u>41,694</u>	<u>453,732</u>	<u>(43,182)</u>
Income (Loss) Before Operating Transfers	<u>4,558,454</u>	<u>96,857</u>	<u>1,081,462</u>	<u>(429,989)</u>
Operating Transfers				
Transfers from Other Funds				
Transfers to Other Funds	(4,972,429)	(633,765)	(1,765,280)	(330,816)
Total Operating Transfers	<u>(4,972,429)</u>	<u>(633,765)</u>	<u>(1,765,280)</u>	<u>(330,816)</u>
Change in Net Assets	<u>(413,975)</u>	<u>(536,908)</u>	<u>(683,818)</u>	<u>(760,805)</u>
Net Assets - Beginning of Year	<u>52,240,348</u>	<u>11,188,379</u>	<u>18,322,265</u>	<u>20,616,664</u>
Net Assets - End of Year	<u>\$ 51,826,373</u>	<u>\$ 10,651,471</u>	<u>\$ 17,638,447</u>	<u>\$ 19,855,859</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Concluded)

Business-type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 54,530,837	\$ 2,807,327	\$ 387,997	\$ 57,726,161	\$ 3,899,685
732,147	48,481	1,128	781,756	
55,262,984	2,855,808	389,125	58,507,917	3,899,685
1,473,051			1,473,051	
30,587,484			30,587,484	
153,317			153,317	
2,023,462			2,023,462	
4,990,506			4,990,506	
2,846,148			2,846,148	2,559,295
4,162,863		237,349	4,400,212	475,848
0	2,489,618		2,489,618	690,477
4,536,680	184,125	110,440	4,831,245	
0	(49,000)		(49,000)	
(50,773,511)	(2,624,743)	(347,789)	(53,746,043)	(3,725,620)
4,489,473	231,065	41,336	4,761,874	174,065
1,035,502	17,996	(169)	1,053,329	56,280
1,105,650			1,105,650	
199,820	34,650		234,470	341,579
(1,390,595)	(96)	(16,876)	(1,407,567)	
(133,066)			(133,066)	
817,311	52,550	(17,045)	852,816	397,859
5,306,784	283,615	24,291	5,614,690	571,924
0		33,800	33,800	
(7,702,290)	(240,576)	(34,956)	(7,977,822)	
(7,702,290)	(240,576)	(1,156)	(7,944,022)	0
(2,395,506)	43,039	23,135	(2,329,332)	571,924
102,367,656	1,065,718	891,173	104,324,547	1,417,575
\$ 99,972,150	\$ 1,108,757	\$ 914,308	\$ 101,995,215	\$ 1,989,499

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 38,368,041	\$ 6,454,446	\$ 3,908,900	\$4,405,521
Cash Paid to Suppliers for Goods and Services	(28,906,328)	(5,534,362)	(2,105,733)	(2,638,109)
Cash Paid to Employees for Services	(2,491,301)	(678,316)	(771,392)	(1,060,575)
Net Cash Provided by (Used in) Operating Activities	<u>6,970,412</u>	<u>241,768</u>	<u>1,031,775</u>	<u>706,837</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	(4,972,429)	(633,765)	(1,765,280)	(330,816)
Transfers from Other Funds				
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(4,972,429)</u>	<u>(633,765)</u>	<u>(1,765,280)</u>	<u>(330,816)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Capital Debt	514,000		3,009,500	2,553,500
Issuance of/Proceeds from Interfund Loan	(860,149)			
Interest Paid on Revenue Bonds and Customer Deposits	(481,530)	(57,146)	(133,876)	(718,043)
Acquisition and Construction of Capital Assets	(6,047,089)	(851,600)	(1,526,960)	(519,205)
Proceeds from Sales of Fixed Assets	34,243	41,603	31,935	66,563
Principal Paid on Bond Maturities	(246,523)	(30,180)	(72,123)	(156,173)
Principal Paid on/Received from Interfund Loan	115,286			
Capital Contributions	157,647		346,624	601,379
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(6,814,115)</u>	<u>(897,323)</u>	<u>1,655,100</u>	<u>1,828,021</u>
Cash Flows from Investing Activities				
Investment Income	608,177	101,747	238,010	87,568
Purchase of Crystal River Decommissioning Investments	(485,221)			
Net Cash Provided by (Used in) Investing Activities	<u>122,956</u>	<u>101,747</u>	<u>238,010</u>	<u>87,568</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,693,176)	(1,187,573)	1,159,605	2,291,610
Cash and Cash Equivalents, Beginning of Year	<u>24,818,647</u>	<u>5,720,980</u>	<u>12,169,163</u>	<u>4,651,981</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 20,125,471</u></u>	<u><u>\$ 4,533,407</u></u>	<u><u>\$ 13,328,768</u></u>	<u><u>\$ 6,943,591</u></u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Continued)

Business-type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 53,136,908	\$ 2,862,855	\$ 386,673	\$ 56,386,436	\$ 4,001,165
(39,184,532)	(1,922,160)	(100,615)	(41,207,307)	(2,982,809)
(5,001,584)	(530,128)	(77,093)	(5,608,805)	
<u>8,950,792</u>	<u>410,567</u>	<u>208,965</u>	<u>9,570,324</u>	<u>1,018,356</u>
(7,702,290)	(240,576)	(34,956)	(7,977,822)	
0		33,800	33,800	
<u>(7,702,290)</u>	<u>(240,576)</u>	<u>(1,156)</u>	<u>(7,944,022)</u>	<u>0</u>
6,077,000			6,077,000	
(860,149)		860,149	0	
(1,390,595)	(96)	(16,876)	(1,407,567)	
(8,944,854)	(170,317)	(900,031)	(10,015,202)	
174,344	12,995		187,339	
(504,999)			(504,999)	
115,286		(115,286)	0	
<u>1,105,650</u>			<u>1,105,650</u>	
<u>(4,228,317)</u>	<u>(157,418)</u>	<u>(172,044)</u>	<u>(4,557,779)</u>	<u>0</u>
1,035,502	17,996	(169)	1,053,329	56,280
(485,221)			(485,221)	
<u>550,281</u>	<u>17,996</u>	<u>(169)</u>	<u>568,108</u>	<u>56,280</u>
(2,429,534)	30,569	35,596	(2,363,369)	1,074,636
<u>47,360,771</u>	<u>807,661</u>	<u>10,068</u>	<u>48,178,500</u>	<u>2,300,555</u>
<u>\$ 44,931,237</u>	<u>\$ 838,230</u>	<u>\$ 45,664</u>	<u>\$ 45,815,131</u>	<u>\$ 3,375,191</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Continued)

	Business-type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
<u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u>				
Total Unrestricted Equity in Pooled Cash and Cash Equivalents	\$ 14,088,419	\$ 3,568,067	\$ 7,967,362	\$ 2,248,199
Total Restricted Equity in Pooled Cash and Cash Equivalents	6,037,052	965,340	5,361,406	4,695,392
Total Cash and Cash Equivalents, End of Year	<u>\$ 20,125,471</u>	<u>\$ 4,533,407</u>	<u>\$ 13,328,768</u>	<u>\$ 6,943,591</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 4,193,387	\$ 55,163	\$ 627,730	\$ (386,807)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Loss (Gain) on Fixed Asset Disposal	(30,148)	8,063	13,805	19,895
Depreciation and Amortization	2,395,475	276,254	555,641	1,309,310
Bad Debt Expense	(1,896)	14,147	(859)	5,461
Nonoperating Income	191,223		2,974	5,623
Nonoperating Expense	(110,450)	(2,907)		(19,709)
Change in Postclosure Estimate				
Decrease (Increase) in Assets:				
Customer Accounts	(1,648,969)	(233,201)	(51,504)	(209,255)
Miscellaneous Receivables				630
Due from Other Governments				804
Inventory	(40,575)			
Increase (Decrease) in Liabilities:				
Accounts Payable	1,102,205	104,507	(152,128)	(35,599)
Claims Payable				
Accrued Expenses	840,148	17,549	30,184	14,044
Customer Advances for Construction	10,744			
Customer Deposits	69,268	2,193	5,932	2,440
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,970,412</u>	<u>\$ 241,768</u>	<u>\$ 1,031,775</u>	<u>\$ 706,837</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Concluded)

Business-type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 27,872,047	\$ 836,815	\$ 41,636	\$ 28,750,498	\$ 3,375,191
17,059,190	1,415	4,028	17,064,633	
<u>\$ 44,931,237</u>	<u>\$ 838,230</u>	<u>\$ 45,664</u>	<u>\$ 45,815,131</u>	<u>\$ 3,375,191</u>
\$ 4,489,473	\$ 231,065	\$ 41,336	\$ 4,761,874	\$ 174,065
11,615	(10,650)		965	
4,536,680	184,125	110,440	4,831,245	
16,853	1,712	(290)	18,275	
199,820	34,650		234,470	341,579
(133,066)			(133,066)	
0	(49,000)		(49,000)	
(2,142,929)	5,335	(2,162)	(2,139,756)	
0			0	101,480
630	(6,513)		(5,883)	
(39,771)			(39,771)	
1,018,985	9,885	49,608	1,078,478	(59,406)
0			0	460,638
901,925	9,658	9,877	921,460	
10,744			10,744	
79,833	300	156	80,289	
<u>\$ 8,950,792</u>	<u>\$ 410,567</u>	<u>\$ 208,965</u>	<u>\$ 9,570,324</u>	<u>\$ 1,018,356</u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

	Employee Retirement Funds
Assets	
Cash and Investments	\$ 38,752,284
Interest Receivable	92,016
Total Assets	38,844,300
Liabilities	
Due to Other Funds	0
Total Liabilities	0
Net Assets	
Reserved for: Employees' Pension Benefits	<u><u>\$ 38,844,300</u></u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Employee Retirement Funds
Additions	
Contributions:	
Employer	\$ 820,129
Employee	315,337
State of Florida	267,968
Total Contributions	<u>1,403,434</u>
Investment Income:	
Net Appreciation	
in Fair Value of Investments	3,221,703
Interest and Dividend Income	1,134,625
Other Income	7,788
Total Investment Income	<u>4,364,116</u>
Total Additions	<u>5,767,550</u>
Deductions	
Benefit Payments	1,704,123
Administrative Expense	<u>345,516</u>
(Total Deductions)	<u>(2,049,639)</u>
Net Increase	3,717,911
Net Assets Reserved for Employees'	
Pension Benefits:	
Beginning of Year	<u>35,126,389</u>
End of Year	<u><u>\$ 38,844,300</u></u>

The notes to the financial statements are an integral part of the financial statements.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Note 1 - Description of Funds and Summary of Significant Accounting Policies

The financial statements of the City of Leesburg, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the reporting year ended September 30, 2003, the City has implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Significant City accounting policies are described below:

Reporting Entity

The City is a Florida municipality governed by an elected five-member City Commission. The City was established by the adoption of its Charter in the Laws of Florida, Chapter 9820, 1923.

The City provides services to its citizens including fire and police protection, electric, gas, water, wastewater, solid waste, parks and recreation, streets, and other general governmental activities. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, if applicable has included them in the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and: 1) it is able to impose its will on the organization; or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Management has determined that there are two includable component units:

- The City established the Greater Leesburg and Carver Heights Community Redevelopment Agencies as component units of the City. The Governing Boards are composed of the City Commission plus two members appointed by the City Commission, and are appropriately blended as governmental fund type component units into the primary government. Separate financial statements are not issued for either of the Redevelopment Agencies.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds; fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

▪ **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

▪ **Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City operates the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The proprietary funds are financed and operated in a manner similar to private business enterprises and extend outside the City limits in all cases except Solid Waste. Electric and gas utilities are served to Fruitland Park residents. The City reports the following major proprietary funds:

The **Electric Utility Fund** accounts for the purchase and distribution of electric services.

The **Gas Utility Fund** accounts for the purchase and distribution of gas services.

- The **Water Utility Fund** accounts for costs for collection, treatment and distribution of water services.
- The **Wastewater Utility Fund** accounts for costs to provide wastewater and sanitary sewer services.
- The **Solid Waste Fund** accounts for the collection, transportation, and disposal of solid waste.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

- The **Communication Services Fund** accounts for the provision of communication services; such as, internet, fiber optic connections, and cellular tower rental.

Additionally, the City reports the following fund types:

- The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- The **Internal Service Funds** account for the financing of goods and services provided by one department to other departments of the governmental unit on a cost-reimbursement basis.
- The **Pension Trust Funds** account for the activities of the City's general employees', firefighters' and police officers' retirement systems, which accumulate resources for pension benefit payments to qualified retiring employees. They are excluded from the government-wide financial statements because they are fiduciary in nature and do not represent resources available to the government for operation.

Summary of Significant Accounting Policies

The City conforms all significant accounting policies to GAAP applicable to governmental units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

- **Proprietary Funds**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, for business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

- **Proprietary Funds (Concluded)**

and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources, as they are needed for their intended purposes, however, this decision is frequently made on a case-by-case basis based upon facts and circumstances.

- **Transfers**

Transfers are recognized in the accounting period in which the interfund receivable and payable arise. Transfers are made from the utility funds to finance operations of the general fund, and the general fund makes transfers to the special revenue funds.

- **Grants**

Unrestricted grants, entitlements or shared revenues received are reported as nonoperating revenues in all proprietary funds.

- **Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments held outside of the City's pooled cash system (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All cash and investments held by the pooled cash system are considered cash equivalents for the cash flow statement.

- **Investments**

In all funds, investments are stated at fair value in accordance with GASB Statement No. 31.

- **Receivables**

Utility operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered after the last billing date and up to September 30, is estimated and accrued at year-end.

- **Inventories**

All inventories, including fuel held for consumption, are priced by the weighted-average cost method at the lower of cost or market. Inventory is accounted for by use of the consumption method.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

▪ **Amortization**

Bond issue costs and discounts are amortized over the life of the bonds using the effective interest method.

▪ **Cost Reimbursements**

Certain personal services and operating expenses recorded in various funds and departments are a result of services performed and expenses/expenditures incurred for the benefit of other funds and departments. Cost reimbursements are recorded as a contra-expense in the receiving division of the fund. The funds and departments that benefit from the services and expenses/expenditures record a cost reimbursement as an increase in expenditures or expenses.

▪ **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of major business-type activities is included as part of the capitalized value of the assets constructed. During 2003, no interest was capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 50 Years
Improvements Other than Buildings	15 - 50 Years
Utility Plant	10 - 50 Years
Vehicles and Equipment	5 - 50 Years
Infrastructure	15 - 60 Years

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

- **Capital Assets (Concluded)**

Expenditures for repairs and maintenance are expensed when incurred. Additions, major renewals and replacements that increase the useful lives of the assets are capitalized.

- **Compensated Absences**

Personnel policies allow employees to accumulate a maximum of 45 days vacation leave and unlimited sick leave. Upon termination, employees are paid for their accrued vacation leave and 50% of their accrued sick leave balance up to 200 hours. Upon retirement, employees are paid for their accrued vacation and 50% of their accrued sick leave balance up to 400 hours.

In governmental and proprietary fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures (expenses) represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of the compensated absence liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the fund financial statements. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

- **Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

- **Encumbrances**

Encumbrances represent contractual commitments in the form of purchase orders and contracts. Such encumbrances are not recorded as current year expenditures. They will become expenditures upon vendor performance and will be charged against the ensuing year's budget. Encumbrances outstanding at year-end are deemed canceled and amounts sufficient to reestablish the commitment are included in the appropriations for the subsequent year.

- **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for specific purposes. Designations of fund balances represent tentative management plans that are subject to change.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

▪ **Fund Equity (Concluded)**

Fund balances and unrestricted net assets are designated in the fund level financial statements, with the exception of the operating reserve for the enterprise funds or business-type activity, which totals \$20,106,656 of the unrestricted net assets.

▪ **Comparative Data/Reclassifications**

Since this is the year of implementation of GASB Statement No. 34 for the City, comparative total data for the prior year has not been presented in the financial statements. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

As of October 2001, the City began to depreciate capital assets in the general fixed asset category. Although the prior year is not being presented, those amounts could be made available upon request. The City chose to complete the inventory of all infrastructure assets and are included in the current year financial statements.

▪ **Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Lake County Property Appraiser incorporates the City millages into the total tax levy, which includes the County and the County School Board tax requirements.

Chapter 193, Florida Statutes, requires that all property shall be assessed at just or fair value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if it meets all of the appropriate requirements of the Florida Statutes.

All taxes are assessed, due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. Unpaid taxes become delinquent on April 1 of the subsequent year. Discounts are allowed at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Concluded)

▪ **Property Taxes (Concluded)**

The City does not accrue its portion of the County held tax sales certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of property or by the five-year statute of limitations.

Note 2 - Stewardship, Compliance, and Accountability

▪ **Budgetary Information**

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for all governmental funds for the upcoming year prior to September 30, that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Commission. The budgetary data presented is in agreement with the originally adopted budget as amended by the City Commission.
- Formal budgetary integration is employed as a management control device during the year for substantially all funds. Budgets are adopted on a basis consistent with GAAP. Total budgeted appropriations within a governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Budget data, when presented in the basic financial statements, is prepared on the same basis of accounting as that prescribed for the fund.

During the year, the City made supplemental budget appropriations that increased or decreased the budgets as indicated below:

	Original Adopted	Final Amended	Increase (Decrease)
General Fund	\$ 22,245,635	\$ 23,122,061	\$ 876,426
Special Revenue Funds	1,556,232	3,192,897	1,636,665
Debt Service Fund	629,330	629,330	0
Capital Projects Fund	14,579,257	15,673,076	1,093,819
Total Governmental Funds	\$ 39,010,454	\$ 42,617,364	\$ 3,606,910

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Note 2 - Stewardship, Compliance, and Accountability *(Concluded)*

- **Excess of Expenditures Over Appropriations**

No individual funds contained an excess of expenditures over appropriations during the fiscal year ended September 30, 2003. However, within various programs, there may be some excesses of expenditures over appropriations at the line item level.

Note 3 - Deposits and Investments

Pooled Cash and Investments

The City maintains a cash and investment pool which carries substantially all cash and investments of the City, and is used by all funds except the pension trust funds. Each fund's portion of the pool is displayed in the accompanying basic financial statements as "Equity in Pooled Cash and Cash Equivalents." The cash and investments of the pension trust funds are held separately from those other funds of the City.

Deposits

All of the City's deposits are maintained in banks and financial institutions which are covered by the Florida Security for Public Deposits Act (the Act); Chapter 280 of the Florida Statutes. The Act established a multiple financial institution collateral pool with the ability to assess member institutions to provide protection which is similar to depository insurance. At September 30, 2003, the carrying amount of the City's deposits was \$1,695,006 and the bank balance was \$536,960.

Investments

Florida Statutes, the City Charter and investment policies authorize the investment of funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, and obligations of the U.S. Government and its agencies and mutual funds. Investments may also include repurchase agreements and deposits with the State Board of Administration pool. Revenue bond covenants also restrict the type and maturities of investments in bond-related funds.

Investments of the municipal police officers' retirement trust fund may be held in bonds, stocks, or other evidence of indebtedness issued or guaranteed by a corporation under the laws of the United States provided the corporation meets certain rating and profitability criteria.

Investments of the municipal firemen's retirement trust fund and the general employees' pension fund may be invested in accordance with Florida Statutes as previously described.

A summary of the carrying amount and market value of all City investments classified by category of credit risk follows:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 - Deposits and Investments (Continued)

Investments (Continued)

	Category of Risk			Fair Value
	1	2	3	
Pooled Investments				
SunTrust Bank Repurchase Agreement	\$ 0	\$ 0	\$ 7,390,000	\$ 7,390,000
U.S. Treasury Bills, Notes and Bonds	0	0	27,207,124	27,207,124
Pension Trust and Agency Fund Investments				
Corporate Stocks	0	0	19,771,934	19,771,934
Corporate Bonds	0	0	10,478,962	10,478,962
U.S. Treasury Notes and Municipal Bonds	0	0	7,243,017	7,243,017
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72,091,037</u>	<u>72,091,037</u>
FMPA Crystal River Decommissioning Trust				3,038,350
State Board of Administration of Florida, Local Government Pooled Investment Account				12,889,602
Mutual Fund Investments - Pension Investment				<u>1,258,371</u>
Total Investments				<u>\$ 89,277,360</u>
				Carrying Amount
Carrying Amount of Deposits				\$ 2,766,436
Cash with Fiscal Agent				6,077,000
Carrying Amount of Investments (Above)				<u>89,277,360</u>
Total				<u>\$ 98,120,796</u>
Shown in the Accompanying Combined Balance Sheet as:				
Equity in Pooled Cash and Investments				\$ 30,150,178
Cash and Investments at Market Value				47,867,634
Restricted Assets:				
Equity in Pooled Cash, Cash Equivalents and Investments				<u>20,102,984</u>
Total				<u>\$ 98,120,796</u>

Levels of credit risk assigned to the above investments are based on an evaluation in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. **Category 2** includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the City's name. **Category 3** includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

The State Board of Administration deposits in Tallahassee, Florida are maintained in an investment pool which invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes and U.S. Government obligations. The carrying value of the investment pool approximates market value due to the short-term nature of the underlying investments of the pool. The pool receives regulatory oversight from the State of Florida.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 - Deposits and Investments (Concluded)

Investments (Concluded)

The following pension investments, including U.S. Government and U.S. Government guaranteed obligations, exceed 5% of the net assets available for pension benefits:

	<u>Fair Value</u>	<u>Percentage of Plan Net Assets</u>
Municipal Police		
SEI Foreign Investments	\$ 644,433	7.03%
Fiduciary Government Securities	1,660,594	18.12%
Fiduciary Mortgages	700,300	7.64%
Fiduciary Corporate Fixed Income	669,705	7.30%
Fiduciary Corporate Stocks	4,705,080	51.35%
Total Municipal Police	<u>\$ 8,380,112</u>	
Municipal Firemen		
Salem Trust Money Market	\$ 423,969	6.33%
Salem Trust Government Securities	891,055	13.25%
Salem Trust Corporate Fixed Income	1,287,987	19.16%
Salem Trust Mortgages	769,939	11.45%
Salem Trust Corporate Stocks	3,349,565	49.83%
Total Municipal Firemen	<u>\$ 6,722,515</u>	
General Employees		
SunTrust Corporate Fixed Income	\$ 2,749,566	12.04%
SunTrust Corporate Stocks	5,001,266	21.90%
SunTrust Government Securities - Loomis	2,829,140	12.39%
SunTrust Corporate Fixed Income - Loomis	5,771,704	25.28%
SunTrust Corporate Stocks - Loomis	6,074,590	26.61%
Total General Employees	<u>\$ 22,426,266</u>	

Note 4 - Accounts Receivable

Receivables as of the year end for the City's individual major funds and nonmajor special revenue funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Type of Receivable	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Nonmajor & Other Funds</u>	<u>Total</u>
Accounts Receivable - Billed	\$ 298,380	\$4,510,875	\$ 198,412	\$ 5,007,667
Accounts Receivable - Unbilled	25,804	3,710,121	0	3,735,925
Total	324,184	8,220,996	198,412	8,743,592
Less: Allowance for Uncollectible Accounts	(17,897)	(626,384)	0	(644,281)
Accounts Receivable (Net)	<u>\$ 306,287</u>	<u>\$7,594,612</u>	<u>\$ 198,412</u>	<u>\$ 8,099,311</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 - Deferred Revenue

Governmental funds report deferred revenue in conjunction with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Of the \$264,837 reported as deferred revenue in the General Fund, \$122,630 represents unearned occupational license revenue. Customer deposits for marina, Mote-Morris house, and other property rentals total \$41,516 are reported as deferred revenues since the deposits are not restricted. A total of \$45,538 has been received for the local law enforcement block grant, and is not recorded as revenue as there have not been expenditures to match the revenues.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 6,356,057	\$1,570,994	\$ 0	\$ 7,927,051
Construction in Progress	<u>4,295,863</u>	<u>10,073,928</u>	<u>(1,343,055)</u>	<u>13,026,736</u>
Total Capital Assets Not Being Depreciated	<u>10,651,920</u>	<u>11,644,922</u>	<u>(1,343,055)</u>	<u>20,953,787</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	24,553,824	2,600,473	0	27,154,297
Equipment	9,354,772	1,401,915	(579,638)	10,177,049
Infrastructure (Road and Streets)	<u>20,715,576</u>	<u>0</u>	<u>0</u>	<u>20,715,576</u>
Total Capital Assets Being Depreciated	<u>54,624,172</u>	<u>4,002,388</u>	<u>(579,638)</u>	<u>58,046,922</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,670,366)	(907,411)	0	(10,577,777)
Equipment	(6,413,722)	(994,689)	495,784	(6,912,627)
Infrastructure (Roads and Streets)	<u>(9,128,779)</u>	<u>(840,997)</u>	<u>0</u>	<u>(9,969,776)</u>
Total Accumulated Depreciation	<u>(25,212,867)</u>	<u>(2,743,097)</u>	<u>495,784</u>	<u>(27,460,180)</u>
Total Being Depreciated, Net	<u>29,411,305</u>	<u>1,259,291</u>	<u>(83,854)</u>	<u>30,586,742</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 40,063,225</u></u>	<u><u>\$12,904,213</u></u>	<u><u>\$ (1,426,909)</u></u>	<u><u>\$ 51,540,529</u></u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 6,929,050	\$ 110,162	\$ 0	\$ 7,039,212
Construction in Progress	<u>5,964,373</u>	<u>5,453,509</u>	<u>(941,233)</u>	<u>10,476,649</u>
Total Capital Assets Not Being Depreciated	<u>12,893,423</u>	<u>5,563,671</u>	<u>(941,233)</u>	<u>17,515,861</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	92,857,234	4,353,170	(1,307,334)	95,903,070
Equipment	<u>30,349,399</u>	<u>1,308,163</u>	<u>(796,844)</u>	<u>30,860,718</u>
Total Capital Assets Being Depreciated	<u>123,206,633</u>	<u>5,661,333</u>	<u>(2,104,178)</u>	<u>126,763,788</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 6 - Capital Assets (Concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	\$ (35,090,545)	\$(2,256,869)	\$ 890,277	\$ (36,457,137)
Equipment	(16,974,536)	(2,290,119)	741,340	(18,523,315)
Total Accumulated Depreciation	(52,065,081)	(4,546,988)	1,631,617	(54,980,452)
Total Being Depreciated, Net	71,141,552	1,114,345	(472,561)	71,783,336
Total Business-type Activities				
Capital Assets, Net	<u>\$ 84,034,975</u>	<u>\$6,678,016</u>	<u>\$ (1,413,794)</u>	<u>\$ 89,299,197</u>

Depreciation Expense - Governmental Activities

General Government and Administration	\$ 497,437
Public Safety	382,787
Physical Environment	103,819
Transportation	
1,176,489	
Economic Environment	21,662
Human Services	37,249
Parks and Recreation	523,654

Total Depreciation Expense - Governmental Activities \$ 2,743,097

Depreciation Expense - Business-type Activities

Electric Utility	\$
2,162,305	
Gas Utility	270,166
Water Utility	541,091
Wastewater Utility	1,278,861
Solid Waste Utility	184,125
Communication Services	110,440

Total Depreciation Expense - Business-type Activities \$ 4,546,988

Note 7 - Interfund Account

Interfund receivable and payable at fund level balances at year-end are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
General Fund	\$ 530,605	\$ 0
Community Development	0	530,605
Total	<u>\$ 530,605</u>	<u>\$ 530,605</u>
Business-type Funds		
Electric Utility	\$ 1,897,723	\$ 0
Communication Services	0	1,897,723
Total	<u>\$ 1,897,723</u>	<u>\$ 1,897,723</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 - Long-term Liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Revenue Bonds and Notes:					
Capital Improvement Revenue					
Bonds - 1999	\$ 7,170,000	\$ 0	\$ (125,000)	\$ 7,045,000	\$ 130,000
Note Payable - 1999 GLCRA	209,455	0	(13,370)	196,085	14,089
Total Revenue Bonds and Notes	<u>7,379,455</u>	<u>0</u>	<u>(138,370)</u>	<u>7,241,085</u>	<u>144,089</u>
Other Liabilities:					
Compensated Absences	1,385,834	1,260,005	(1,098,548)	1,547,291	851,010
Suit Settlement	390,000	0	(60,000)	330,000	60,000
Total Other Liabilities	<u>1,775,834</u>	<u>1,260,005</u>	<u>(1,158,548)</u>	<u>1,877,291</u>	<u>911,010</u>
Total Governmental Activities	<u>\$ 9,155,289</u>	<u>\$ 1,260,005</u>	<u>\$ (1,296,918)</u>	<u>\$ 9,118,376</u>	<u>\$ 1,055,099</u>
Business-type Activities					
Revenue Bonds and Notes Payable:					
Utilities System Refunding Revenue					
Bonds - 1999A/B	\$26,895,000	\$ 0	\$ (505,000)	\$ 26,390,000	\$ 525,000
Less Deferred Refundings and Discounts	(695,829)	0	69,221	(626,608)	0
Notes Payable FMPA Pooled	0	6,077,000	0	6,077,000	0
Total Revenue Bonds and Notes Payable	<u>26,199,171</u>	<u>6,077,000</u>	<u>(435,779)</u>	<u>31,840,392</u>	<u>525,000</u>
Other Liabilities:					
CR#3 Decommissioning Cost Payable	3,808,150	171,000	0	3,979,150	0
Landfill Postclosure Payable	922,352	11,170	(60,170)	873,352	49,000
Compensated Absences	689,113	573,186	(506,618)	755,681	415,625
Total Other Liabilities	<u>5,419,615</u>	<u>755,356</u>	<u>(566,788)</u>	<u>5,608,183</u>	<u>464,625</u>
Total Business-type Activities	<u>\$31,618,786</u>	<u>\$ 6,832,356</u>	<u>\$ (1,002,567)</u>	<u>\$ 37,448,575</u>	<u>\$ 989,625</u>

The following is a schedule of bonds and notes outstanding at September 30, 2003:

<u>Description of Bonds</u>	<u>Purpose of Issue</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Rates</u>
Governmental Activities				
Revenue Bonds and Revenue Notes:				
Capital Improvement Revenue				
Bonds - 1999 GLCRA	Capital Improvement	\$ 7,345,000	\$ 7,045,000	3.65% - 5.50%
Note Payable	Real Estate	249,284	196,085	5.25%
Total Governmental Activities		<u>\$ 7,594,284</u>	<u>\$ 7,241,085</u>	
Business-type Activities				
Notes Payable FMPA Pooled Loan	Capital Improvement	\$ 6,077,000	\$ 6,077,000	0.6%
FMPA Commercial Paper				
Utilities System Refunding Revenue				
Bonds - 1999A/B	Refunding/Wastewater Plant	27,850,000	26,390,000	3.60% - 5.375%
Total Business-type Activities		<u>\$33,927,000</u>	<u>\$ 32,467,000</u>	

CITY OF LEESBURG, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 8 - Long-term Liabilities (Continued)

Debt service to maturity on the City's bonded indebtedness and note payable are as follows:

Bonds Payable				
Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 130,000	\$ 368,420	\$ 525,000	\$ 1,334,931
2005	135,000	362,615	550,000	1,311,831
2006	140,000	356,315	570,000	1,286,894
2007	145,000	349,645	595,000	1,260,119
2008	155,000	342,476	620,000	1,231,599
2009-2013	880,000	1,587,187	3,580,000	5,652,399
2014-2018	1,130,000	1,319,663	4,590,000	4,587,419
2019-2023	1,475,000	955,625	5,920,000	3,182,294
2024-2028	1,930,000	478,225	7,655,000	1,345,631
2029-2033	<u>925,000</u>	<u>26,125</u>	<u>1,785,000</u>	<u>0</u>
Total	<u><u>\$ 7,045,000</u></u>	<u><u>\$ 6,146,296</u></u>	<u><u>\$ 26,390,000</u></u>	<u><u>\$ 21,193,117</u></u>

Notes Payable				
Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 14,089	\$ 9,958	\$ 0	\$ 85,078
2005	14,846	9,201	0	85,078
2006	15,645	8,402	184,000	82,502
2007	16,486	7,561	193,000	79,800
2008	17,373	6,674	203,000	76,958
2009-2013	103,860	18,311	1,176,000	337,008
2014-2018	13,786	311	1,500,000	241,500
2019-2023	0	0	1,915,000	119,630
2024-2028	<u>0</u>	<u>0</u>	<u>906,000</u>	<u>6,496</u>
Total	<u><u>\$ 196,085</u></u>	<u><u>\$ 60,418</u></u>	<u><u>\$ 6,077,000</u></u>	<u><u>\$ 1,114,050</u></u>

Governmental Activity Liabilities

A summary of all governmental long-term debt as of September 30, 2003, follows:

▪ **Capital Improvement Bonds, 1999**

The 1999 Capital Improvement Bonds are fully registered bonds and are collateralized by a pledge of the proceeds of the local government half-cent sales tax and the proceeds of the guaranteed entitlement portion of state revenue sharing funds. The 1999 bonds are not general obligations or indebtedness of the City within the meaning of the Constitution of the State of Florida. The bond ordinances provide for a current sinking fund and debt service reserve. The bonds are callable at various dates from 100% to 101% of face value.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 - Long-term Liabilities (Continued)

- **Note Payable (GLCRA)**

A fifteen-year mortgage for the purpose of the Christley property by the Greater Leesburg Community Redevelopment Agency Fund that extends through May 2014, and will cost \$24,048 annually.

- **Suit Settlement Payable**

During 1998, the City settled a civil rights lawsuit in which it was a codefendant. The settlement called for the City to pay the plaintiff \$634,000, of which \$100,000 was covered by insurance. Additional terms of the settlement call for the City to fund the budget of a local agency \$30,000 per year for ten years until September 30, 2007. During fiscal year ended 2001, the settlement was amended to require the City to pay an additional \$30,000 for ten years to the local agency until September 30, 2010.

- **Business-type Activity Liabilities**

The following is a summary of all long-term liabilities of the proprietary funds at September 30, 2003:

- **Utilities System Refunding Revenue Bonds, Series 1999A/B**

The 1999 bonds are fully registered bonds and are collateralized by a pledge of the net revenues of the utilities system. The bond ordinances provide for a current sinking fund, debt service reserve, term bond security purchase agreement, and a renewal and replacement account. The bonds are callable at various dates from 100% to 105% of face value.

- **Note Payable, FMPA Pooled Loan Program**

Florida Municipal Power Agency is the grantor for this loan and is acting as agent for the Initial Pooled Loan Project. This loan provides for acquisition, construction, improvement, and repair of various infrastructure improvements located in the City. Among those improvements is construction of a water reuse system, including pumping, storage facilities and transmission mains. The term of the loan is twenty years, and interest charged on the loan is based on FMPA's commercial paper rate plus 0.6%. The loan agreement was executed on September 23, 2003, and as of the fiscal year end the City has not drawn any funds on the loan. The principal amount of this loan is \$6,077,000.

- **Estimated Landfill Closure and Postclosure Care Costs**

The City closed its present landfill site on September 1, 1995, at a total cost of \$3,326,000. The cost of the closure was financed by user fees over the useful life of the landfill. As required by state law, the City is now performing postclosure monitoring activities.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 - Long-term Liabilities (Continued)

- **Business-type Activity Liabilities (Continued)**
 - **Estimated Landfill Closure and Postclosure Care Costs (Concluded)**

Balance, September 30, 2002	\$ 922,352
Adjustment of Estimate	11,170
Total Annual Costs Paid	<u>(60,170)</u>
Balance, September 30, 2003	873,352
(Current Maturities)	<u>(49,000)</u>
Total Long-term Portion	<u><u>\$ 824,352</u></u>

In 1994, the City implemented GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*. This statement requires accounting recognition be given to all estimated closure and postclosure care costs during the operating life of the landfill.

The \$873,352 liability recorded represents the estimated costs of postclosure care for thirteen years after closure as required by state and federal laws and regulations. This amount was calculated by the City's consulting engineer. The actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required to deposit adequate funds into an escrow account before year-end to meet postclosure care costs for the following year. During the year ended September 30, 1992, the City established an escrow subaccount within the City's pooled cash system for this purpose. The following is a schedule of the transactions in this account during fiscal year 2003:

<u>Transaction Date</u>	<u>Amount</u>
Balance, September 30, 2002	\$ 75,468
Investment Income	<u>1,609</u>
Balance, September 30, 2003	<u><u>\$ 77,077</u></u>

The above schedule was prepared in accordance with the requirements of Rule 62-701.630 of the Florida Administrative Code.

- **Crystal River III Nuclear Decommission Costs Payable**
The City is responsible for its share of the future costs to decommission the Crystal River III Nuclear Generating Unit. The City is accruing this cost over the expected useful life of the plant.
- **Crystal River III Decommissioning Trust Fund**
Federal law requires that an external trust fund be created to accumulate amounts to pay for the future plant decommissioning. The City contributes to a common trust fund, maintained by FMPA, for all its members that own a portion of the Crystal River III Nuclear Generating Unit. As of September 30, 2003, the City has a balance in the trust fund of \$3,038,350.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 - Long-term Liabilities (Concluded)

▪ **Business-type Activity Liabilities (Concluded)**

• **Defeased Debt**

Defeased debt of the City that remains publicly traded is as follows:

Utilities Revenue Certificates, Series 1977	<u>\$ 5,605,000</u>
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Note 9 - Segment Information

The City issued revenue bonds to finance utility operations. Although the entire system revenues are pledged, investors rely solely on the revenue generated by the individual activities for repayment. A condensed summary of the information for the enterprise funds is as follows:

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Sanitary Sewer and Wastewater Utility</u>	<u>Solid Waste Utility</u>	<u>Communi- cation Services Utility</u>	<u>Total</u>
Operating Revenues	\$40,018,906	\$ 6,673,500	\$ 3,961,263	\$ 4,609,315	\$ 2,855,808	\$ 389,125	\$ 58,507,917
Operating Expenses	<u>(35,825,519)</u>	<u>(6,618,337)</u>	<u>(3,333,533)</u>	<u>(4,996,122)</u>	<u>(2,624,743)</u>	<u>(347,789)</u>	<u>(53,746,043)</u>
Operating Income (Loss)	4,193,387	55,163	627,730	(386,807)	231,065	41,336	4,761,874
Nonoperating Revenue (Expense)	<u>365,067</u>	<u>41,694</u>	<u>453,732</u>	<u>(43,182)</u>	<u>52,550</u>	<u>(17,045)</u>	<u>852,816</u>
Income Before Transfers	4,558,454	96,857	1,081,462	(429,989)	283,615	24,291	5,614,690
Transfers	<u>(4,972,429)</u>	<u>(633,765)</u>	<u>(1,765,280)</u>	<u>(330,816)</u>	<u>(240,576)</u>	<u>(1,156)</u>	<u>(7,944,022)</u>
Net (Loss) Income	<u>\$ (413,975)</u>	<u>\$ (536,908)</u>	<u>\$ (683,818)</u>	<u>\$ (760,805)</u>	<u>\$ 43,039</u>	<u>\$ 23,135</u>	<u>\$ (2,329,332)</u>

The balances of the restricted assets of the enterprise funds are as follows:

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Sanitary Sewer and Wastewater Utility</u>	<u>Solid Waste Utility</u>	<u>Communi- cation Services Utility</u>	<u>Total</u>
Debt Service	\$ 484,656	\$ 59,334	\$ 141,791	\$ 517,447	\$ 0	\$ 0	\$ 1,203,228
Customer Deposits	1,863,704	113,960	110,175	44,315	1,415	4,028	2,137,597
Renewal and Replacement	3,174,692	353,046	941,397	671,340	0	0	5,140,475
Impact Fees Account	0	0	1,158,543	908,790	0	0	2,067,333
FMFA Loan Cash with Trustee	514,000	0	3,009,500	2,553,500	0	0	6,077,000
Gas Depository Trust	0	439,000	0	0	0	0	439,000
CR#3 Decommissioning	<u>3,038,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,038,350</u>
Total Restricted Assets	<u>\$9,075,402</u>	<u>\$ 965,340</u>	<u>\$ 5,361,406</u>	<u>\$ 4,695,392</u>	<u>\$ 1,415</u>	<u>\$ 4,028</u>	<u>\$ 20,102,983</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10 - Operating Leases

The City is lessor on various leases of facilities located at the Leesburg Regional Airport and other leases for property owned by the City. The leased facilities are included in the City's governmental activity capital assets. The following is a schedule of minimum future lease income on noncancelable operating leases:

<u>September 30,</u>	<u>Amount</u>
2004	\$ 412,331
2005	374,969
2006	358,105
2007	276,753
2008	200,234
2009 - 2013	952,168
2014 - 2018	825,951
2019 - 2023	301,778
2024 - 2028	<u>22,984</u>
Total Minimum Lease Payments	<u>\$ 3,725,273</u>

Note 11 - Electric Power Agreements

Crystal River Unit No. 3 Participation Agreement

The City is a participant in an agreement with Florida Power Corporation. Under terms of the agreement, the City acquired a 0.8244% ownership interest and generation entitlement share in the nuclear steam electric generating unit. Participants are entitled to energy output of the unit based upon their respective generation entitlement share.

Florida Power Corporation has been appointed by the participants to act as their agent and has sole authority to manage, control, maintain and operate the unit. Operating costs of the unit, in general, are shared in proportion to each generation entitlement share on a monthly basis. Common and external facilities of the generating unit are solely owned by Florida Power Corporation, and participants share in the operating and maintenance expenses of such facilities.

The participation agreement provides for reversion of the ownership interest of the unit to Florida Power Corporation upon retirement from service. The book value of the investment included in utility plant in service on September 30, 2003, was \$948,693.

Florida Municipal Power Agency (FMPA)

The City is a member of FMPA. FMPA was created pursuant to Chapter 163, Parts I and II (The Interlocal Act and The Joint Power Act) to, among other things, provide a means for the Florida municipal corporations to cooperate with each other to provide for their present and projected energy needs. The City has limited oversight authority over the operation of FMPA. This oversight is manifested in the appointment of one member to the 28-member Board of Directors of FMPA. Furthermore, the City, by agreement, has no equity interest in any of the assets owned by FMPA. The City participates in the following FMPA projects:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11 - Electric Power Agreements (Concluded)

Florida Municipal Power Agency (FMPA) (Concluded)

▪ **St. Lucie No. 2 Power Purchase Agreement**

The City, through FMPA, has negotiated an agreement with Florida Power and Light Corporation guaranteeing the City the right to purchase up to 2,326 megawatts of generating capacity from the St. Lucie No. 2 nuclear generating plant. This plant became operational in 1984. The cost of this agreement has been capitalized and is being amortized over the plant's expected useful life.

▪ **All-Requirement Power Supply Agreement**

The City has an agreement with FMPA whereby the City is purchasing its electric power from FMPA on an all-requirement basis. The agreement will remain in effect until October 1, 2020, with two optional successive ten-year renewal periods. Power rates charged to the City by FMPA are subject to a majority vote of the Board of Directors of FMPA.

Note 12 - Defined Benefit Pension Plans

Plan Descriptions and Contribution Information - The City maintains three separate single-employer pension plans, one for police officers, one for firemen, and a general employees' retirement plan that covers substantially all other full-time City employees. These plans are maintained as pension trust funds and included as part of the City's reporting entity. City ordinance and state law requires contributions to be determined by actuarial studies. The City Commission has the authority to establish and amend the benefit provisions of the Plan. Administrative costs are financed through contributions and investment earnings. Stand-alone financial reports are not issued.

Basis of Accounting - The Plan's financial statements are prepared using the modified accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are recorded with the custodian. Benefits are recognized when paid in accordance with the terms of each plan.

Methods Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

All three plans provide retirement, disability, and death benefits to Plan members and their beneficiaries as described below:

General Employees Retirement Plan (GERP)

The Plan is a 100% employer contributory defined benefit plan and covers all full time employees except firefighters. Participants who have completed 5 years of credited service are partially vested in the Plan and become fully vested after 10 years of credited service.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Note 12 - Defined Benefit Pension Plans (Continued)

General Employees Retirement Plan (GERP) (Continued)

Normal retirement benefits are paid to participants who have reached age 65. Benefits are payable at the rate of 2.0% of average final monthly compensation multiplied by the number of years of credited service up to a maximum of 45 years. The Plan also provides for early retirement, late retirement, and disability retirement, and death benefits at rates defined in the plan document.

The City is required to contribute at an actuarially determined rate. Plan members are not allowed to contribute. Contribution requirements are established by City Code Section 17.121. City Code Section 17.121 may be amended by the City Commission.

The City accrues and contributes an amount, as determined by an actuary, to fund the annual, normal cost and prior service cost amortized over forty years. The City's contribution was established at 8.5% of the covered payroll for fiscal year 2002-03.

Municipal Police Retirement Plan (MPRP)

The Plan covers police officers (other police department employees are covered in the GERP). Employees contribute 7.65% of their annual compensation, including overtime and educational incentive pay. The State of Florida collects and remits a 1% excise tax on gross premiums from casualty insurance policies covering property within the corporate limits to the fund pursuant to the provisions of Chapter 185, Florida Statutes.

Participants who have completed 10 years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing 10 years of credited service are entitled to the return of their employee contributions without interest. Normal retirement benefits are payable to participants who have reached the earlier of age 50 with 25 years of credited service, or age 55 with 10 years of credited service. Such benefits are payable at a rate of 2% of the average monthly compensation for the 4 highest years of service multiplied by the number of years of credited service. The Plan also provides for early retirement, disability retirement, and death benefits at rates defined in the plan document.

Per City Code Section 17.91, the City Commission may amend established contribution requirements. Since the members of this plan are also members of the General Employees Pension Plan, which is fully funded through City contributions, the City does not contribute to this fund. The benefits from this plan supplement the benefits paid by the general employee retirement plan.

Municipal Firemen's Retirement Plan (MFRP)

The Plan covers firefighters who have completed one year of employment. Firefighters contribute 6.5% of their annual compensation to the Plan. The State of Florida collects and remits a 1% excise tax on gross premiums from fire insurance covering property within the corporate limits to the fund pursuant to the provisions of Chapter 175, Florida Statutes.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 12 - Defined Benefit Pension Plans (Continued)

Municipal Firemen's Retirement Plan (MFRP) (Concluded)

Participants who have completed 10 years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing 10 years of credited service are entitled to the return of their employee contributions plus interest at the rate of 5% compounded annually. Normal retirement benefits are payable to participants who have reached the earlier of age 52 with 25 years of credited service, or age 55 with 10 years of credited service. Such benefits are payable at a rate of 3% of the average monthly compensation multiplied by the number of years of credited service. The Plan also provides for early retirement, deferred retirement, disability retirement, and death benefits at rates defined in the plan document.

Pursuant to the plan document, the City accrues and contributes an additional amount, determined by an actuary, to fund the annual normal cost and prior service cost amortized over forty years. The City's contribution is limited to the rate of covered payroll contributed to the GERP, which was established at 8.5% of the covered payroll for fiscal year 2002-03.

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	10/01/02 GERP	10/01/02 MPRP	10/01/02 MFRP
Retirees and Beneficiaries Receiving Benefits	119	17	13
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	109	1	0
Active Plan Members	<u>322</u>	<u>61</u>	<u>32</u>
Total	<u>550</u>	<u>79</u>	<u>45</u>

Annual Pension Costs and Net Pension Obligation

The City's annual pension cost and net pension obligation to GERP, MPRP and MFRP for the current year were as follows:

	GERP	MPRP	MFRP
Annual Required Contribution (ARC)	\$ 1,017,781	\$ 111,757	\$ 329,000
Interest on Net Pension Obligation	<u>(70,327)</u>	<u>(2,376)</u>	<u>(36,856)</u>
Annual Pension Cost	947,454	109,381	292,144
Contributions Made	(719,336)	(117,037)	(310,404)
Net Pension Obligation, Beginning of Year	<u>(879,082)</u>	<u>(29,692)</u>	<u>(460,704)</u>
Net Pension Obligation, End of Year	<u>\$ (650,964)</u>	<u>\$ (37,348)</u>	<u>\$ (478,964)</u>

Other Pension Plan Information

The annual required contribution, actuarial cost method and actuarial assumptions are described in the required supplementary information. The actuarial cost method does not

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 12 - Defined Benefit Pension Plan (Continued)

Other Pension Plan Information (Concluded)

identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using market value for all plans.

The excess of the actuarial value of assets over the actuarial accrued liabilities is being amortized using the levels described in the required supplementary information. Because the NPO is negative, it has not been recorded in the accompanying financial statements.

Three-year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>GERP</u>			
09/30/01	\$ 533,119	107%	\$ (837,885)
09/30/02	650,633	106%	(879,082)
09/30/03	947,454	132%	(650,964)
<u>MPRP</u>			
09/30/01	\$ 78,380	105%	\$ (31,338)
09/30/02	286,192	119%	(87,966)
09/30/03	109,381	94%	(37,348)
<u>MFRP</u>			
09/30/01	\$ 181,730	140%	\$ (411,128)
09/30/02	342,711	105%	(460,704)
09/30/03	292,144	107%	(478,964)

Below is a summarized schedule of the general and the police and fire pension plan assets and changes in the net assets of the plans:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 12 - Defined Benefit Pension Plans (Concluded)

Deferred Compensation Fund (Concluded)

SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2003

	Municipal Police Retirement Plan	Municipal Firemen's Retirement Plan	General Employees' Retirement Plan	Total
Assets				
Cash and Investments with Trustees	\$ 9,163,392	\$ 6,756,606	\$ 22,832,286	\$ 38,752,284
Interest Receivable	34,009	32,865	25,142	92,016
Total Assets	<u>9,197,401</u>	<u>6,789,471</u>	<u>22,857,428</u>	<u>38,844,300</u>
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets Reserved for Employees' Pension Benefits	<u>\$ 9,197,401</u>	<u>\$ 6,789,471</u>	<u>\$ 22,857,428</u>	<u>\$ 38,844,300</u>

SCHEDULE OF THE CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2003

Additions				
Contributions:				
Employer	\$ 0	\$ 100,793	\$ 719,336	\$ 820,129
Employee	214,544	100,793	0	315,337
State of Florida	159,150	108,818	0	267,968
Total Contributions	<u>373,694</u>	<u>310,404</u>	<u>719,336</u>	<u>1,403,434</u>
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	989,236	700,204	1,532,263	3,221,703
Interest and Dividend Income	247,510	233,414	653,701	1,134,625
Other Income (Loss)	7,762	26	0	7,788
Total Investment Income	<u>1,244,508</u>	<u>933,644</u>	<u>2,185,964</u>	<u>4,364,116</u>
Total Additions	<u>1,618,202</u>	<u>1,244,048</u>	<u>2,905,300</u>	<u>5,767,550</u>
Deductions				
Benefit Payments	338,287	223,972	1,141,864	1,704,123
Administrative Expense	92,108	58,185	195,223	345,516
(Total Deductions)	<u>(430,395)</u>	<u>(282,157)</u>	<u>(1,337,087)</u>	<u>(2,049,639)</u>
Net Increase	<u>1,187,807</u>	<u>961,891</u>	<u>1,568,213</u>	<u>3,717,911</u>
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of Year	<u>8,009,594</u>	<u>5,827,580</u>	<u>21,289,215</u>	<u>35,126,389</u>
End of Year	<u>\$ 9,197,401</u>	<u>\$ 6,789,471</u>	<u>\$ 22,857,428</u>	<u>\$ 38,844,300</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 13 - Self-insurance Fund

Employee Health Insurance Fund

The City maintains a self-insurance program for the payment of employee health and medical claims. The program provides for the payment of City and employee contributions into a self-insurance fund, which is managed by the City and its administrative agent. Employee claims up to \$75,000 per person are paid from the assets of the self-insurance fund; claims in excess of \$75,000, up to a maximum of \$925,000 per employee per year, are paid from a reinsurance policy purchased by the City. The aggregate stop loss reinsurance policy indemnifies the City if total claims paid during the year exceed the aggregate attachment point.

Workers' Compensation Insurance Fund

The City maintains a self-insurance program for the payment of employee workers' compensation claims. The program provides for City contributions into a self-insurance fund which is managed by the City and its administrative agent. Employee claims up to \$500,000 per occurrence are paid from the assets of the self-insurance fund with amounts in excess of \$500,000 per occurrence being paid from a reinsurance policy purchased by the City.

Liabilities for known claims incurred but not reported are listed below:

	Balance October 1, 2002	Current Year Claims and Changes in Estimates	(Claims Paid)	Balance September 30, 2003
Employee Health Insurance Fund	\$ 367,416	\$ 1,777,577	\$ (1,622,528)	\$ 522,465
Workers' Compensation Insurance Fund	643,100	781,717	(476,128)	948,689
Total	<u>\$ 1,010,516</u>	<u>\$ 2,559,294</u>	<u>\$ (2,098,656)</u>	<u>\$ 1,471,154</u>

The liability for the health insurance and workers' compensation claims incurred, but not reported, was calculated based on an actuarial valuation using actual claims history data by month and weighted lives to estimate future projected claims.

Note 14 - Deferred Compensation Fund

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation plan is not available to employees until termination, retirement, death, or unforeseeable emergency.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Note 14 - Deferred Compensation Fund (Concluded)

In October 1997, the GASB issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement allows the employer to not report the assets and liabilities in their financial statements if the employer has met the new criteria of the Internal Revenue Code Section 457 and does not retain fiduciary accountability for the plan assets.

Accordingly, the City has implemented GASB Statement No. 32, and no longer includes the assets and liabilities of the deferred compensation fund in its financial statements. There is no effect on the City's overall fund balance or retained earnings, as the plan was an agency fund in which plan assets equals liabilities.

It is the opinion of the City that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Note 15 - Contingencies and Commitments

The City participates in a number of state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs as of and including the year ended September 30, 2003, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

The City is defending several claims and judgements arising from the normal course of business. The City expects to prevail in these matters; however, the final outcomes have not yet been determined.

Note 16 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- General and Automobile Liability
- Commercial Property Damage
- Contractors' Equipment
- Crime

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Note 16 - Risk Management (Concluded)

The City is self-insured for workers' compensation and employee health as explained in note 13. Amounts of settlements, if any, have not exceeded insurance coverage for each of the past three years.

Note 17 - Postemployment Benefits

In addition to the pension benefits described in note 13, the City provides postretirement health care benefits, in accordance with City ordinance, to all employees who retire from the City. Employees retiring between the age of 50 and 58 may remain in the City's plan and pay all premium costs. Employees retiring on or after attaining age 58 with at least 15 years of service remain in the plan with all employee premiums paid by the City. Retirees reaching the age of 65 with less than 15 years of service pay 60% of the premiums for a Medicare supplement. In all cases, the retiree is responsible to pay dependent care premiums.

Expenses for postretirement health care benefits are recognized as retirees report claims and include a provision of estimated claims incurred, but not reported. During the year, expenses of \$276,237 were recognized for postretirement health care, which were offset by \$139,154 of retiree premiums paid. Currently, there are 64 retirees that the City continues to pay health insurance premiums for and 37 who are responsible for all or one-half of their premiums as discussed above.

Note 18 - Construction Commitments

The City has active construction projects as of September 30, 2003. The commitment for the Canal Street wastewater treatment facilities upgrade is financed by revenue bonds secured by system revenues. The parking garage expenses spent to date were funded from a \$750,000 community development block grant, and the remaining commitment will be funded with local option infrastructure surtax revenue.

The commitment for the concession stand at the Sleepy Hollow Recreation Complex is funded from a \$400,000 tourist development grant. Although the majority of the new police station was funded with bond proceeds of the 1999 Capital Improvement Revenue Bonds, the outstanding commitment is funded with local option infrastructure surtax revenue. As of September 30, 2003, the City had the following commitments related to significant unfinished construction projects:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Concluded)

Note 18 - Construction Commitments (Concluded)

	Expended as of September 30, 2003	Remaining Commitment
Highway 441 Corridor	\$ 53,830	\$ 8,076
Police Station (Design)	262,702	54,298
Police Station	3,652,740	573,833
Corporate Airport Hangars (Design)	21,140	123,845
Master Trail Plan	56,309	6,190
Airport Taxiway (Design)	56,490	14,605
Airport Rehab Overlay (Design)	61,669	7,895
Sleepy Hollow Recreation Complex (Design)	30,088	44,000
Sleepy Hollow Recreation Complex	1,645,275	421,275
Downtown Parking Garage (Grant Manager)	15,400	36,600
Downtown Parking Garage	997,589	67,411
Rails to Trails	248,800	1,200
Land Development Code	21,825	78,175
Canal Street Wastewater Upgrade	504,617	309,598
Land Use Study for County Road 470	69,975	31,240
Radio and Telecommunication PBX System	0	71,235
Electric and Splicing Equipment for Fiber Optics	0	55,980
Communication System for 6 th Street	0	50,862
CSX Property Purchase (Grant Manager)	0	71,000
Electric Warehouse Pick-up Zone	0	89,858
Cleaning and Repair Water Tank	0	106,900
Sleepy Hollow Recreation Complex (Concession)	0	329,013
Landscape for Airport	0	75,000
Public Restroom on 3 rd Street	0	100,000

REQUIRED SUPPLEMENTARY INFORMATION

The following supplemental schedules present trend information regarding the retirement plans for the City's general employees, municipal police and municipal firemen, and major fund budgetary comparison statements. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Taxes	\$ 6,493,122	\$ 6,493,122	\$ 6,907,641	\$ 414,519
Licenses and Permits	417,500	417,500	431,630	14,130
Intergovernmental	1,346,692	1,430,219	1,524,804	94,585
Charges for Services	1,076,140	1,076,140	258,836	(817,304)
Fines and Forfeitures	283,700	283,700	288,317	4,617
Miscellaneous:				
Interest	235,748	238,748	138,100	(100,648)
Other	5,614,920	5,925,859	796,355	(5,129,504)
Total Revenues	15,467,822	15,865,288	10,345,683	(5,519,605)
Expenditures				
Current:				
General Government	6,478,792	6,644,094	1,072,010	5,572,084
Public Safety	8,641,278	9,363,773	9,154,635	209,138
Physical Environment	758,958	770,772	171,839	598,933
Transportation	1,156,165	1,196,741	1,134,593	62,148
Economic Environment	385,771	376,376	120,496	255,880
Human Services	50,438	50,518	45,769	4,749
Culture and Recreation	4,099,733	4,045,287	4,004,672	40,615
Capital Outlay	674,500	674,500	644,286	30,214
Debt Service:				
Principal Payments	0	0	60,000	(60,000)
(Total Expenditures)	(22,245,635)	(23,122,061)	(16,408,300)	6,713,761
(Deficiency) of Revenues				
(Under) Expenditures	(6,777,813)	(7,256,773)	(6,062,617)	1,194,156
Other Financing Sources (Uses)				
Transfers from Other Funds	6,705,264	6,290,540	6,112,628	(177,912)
Transfers to Other Funds	(252,175)	(393,282)	(124,680)	268,602
Total Other Financing Sources	6,453,089	5,897,258	5,987,948	90,690
Net Change in Fund Balances	(324,724)	(1,359,515)	(74,669)	1,284,846
Fund Balance, Beginning of Year	6,285,334	6,285,334	6,285,334	0
Fund Balance, End of Year	\$ 5,960,610	\$ 4,925,819	\$ 6,210,665	\$ 1,284,846

CITY OF LEESBURG, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

General Employees' Retirement Plan						
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as Percent of Payroll
10/1/2002	\$ 25,285,323	\$ 23,048,129	\$(2,237,194)	109.71%	\$ 11,009,129	-20.32%
10/1/2001	24,823,681	22,587,237	(2,236,444)	109.90%	9,556,403	-23.40%
10/1/2000	23,865,971	24,190,400	324,429	98.66%	9,140,453	3.55%
10/1/1999	23,415,083	24,013,600	598,517	97.51%	8,856,516	6.76%
10/1/1998	21,206,286	21,561,900	355,614	98.35%	9,044,523	3.93%
10/1/1997	21,395,049	22,249,400	854,351	96.16%	8,466,060	10.09%

Municipal Police Retirement Plan						
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as Percent of Payroll
10/1/2003	\$ 9,924,188	\$ 9,933,438	\$ 9,250	99.91%	\$ 2,813,551	0.33%
10/1/2002	9,758,130	9,789,401	31,271	99.68%	2,566,611	1.22%
10/1/2001	9,521,215	9,452,836	(68,379)	100.72%	2,211,172	-3.09%
10/1/2000	9,117,437	10,187,231	1,069,794	89.50%	2,140,554	49.98%
10/1/1999	8,028,330	9,027,398	999,068	88.93%	2,037,074	49.04%
10/1/1998	7,239,889	7,843,707	603,818	92.30%	2,012,767	30.00%
10/1/1997	7,323,316	7,957,129	633,813	92.03%	1,724,558	36.75%

Municipal Firemen's Retirement Plan

Not required due to use of the aggregate actuarial cost method.

CITY OF LEESBURG, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHERS

Year Ended 9/30	General Employees' Retirement Plan (GERP)		Municipal Police Retirement Plan (MPRP)		Municipal Firemen's Retirement Plan (MFRP)	
	Annual Required Contribution (ARC)	Percentage Contributed	Annual Required Contribution (ARC)	Percentage Contributed	Annual Required Contribution (ARC)	Percentage Contributed
2003	\$ 1,017,781	70.7%	\$ 111,757	104.7%	\$ 342,160	91%
2002	717,664	96.4%	87,345	134.0%	342,711	105%
2001	591,947	107.5%	0	100.0%	208,798	122%
2000	496,700	92.0%	0	100.0%	208,798	128%
1999	539,300	107.9%	0	100.0%	163,325	156%
1998	285,800	256.9%	0	100.0%	123,459	213%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	GERP	MPRP	MFRP
Valuation Date	October 1, 2002	October 1, 2003	October 1, 2002
Actuarial Cost Method	Frozen Initial Liability Cost	Frozen Entry Age	Aggregate Actuarial Cost
Amortization Method	Level Dollar, Closed	Level Dollar, Closed	N/A
Remaining Amortization Period	17-30 Years	28 Years	N/A
Asset Valuation Method	Asset Appreciation	Market Value	Market Value
Actuarial Assumptions:			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.50%	6.00%
COLA	None	None	None

The actuarial cost method does not identify or separately amortized unfunded actuarial liabilities.

SUPPLEMENTAL INFORMATION

The following supplemental schedules present combining nonmajor fund statements and individual fund budgetary schedules.

CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	Special Revenue Funds			
	Community Development Fund	Housing Assistance Fund	Stormwater Fund	Greater Leesburg Community Redevelopment Fund
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 0	\$ 366,034	\$ 220,863
Receivables (Net)	10,757	0	76,585	0
Due from Other Governments	750,000	9,489	1,984	0
Total Assets	<u>760,757</u>	<u>9,489</u>	<u>444,603</u>	<u>220,863</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	196,703	0	29,670	13
Accrued Interest	0	0	0	0
Due to Other Governments	10,757	9,489	0	0
Due to Other Funds	530,605	0	0	0
Total Liabilities	<u>738,065</u>	<u>9,489</u>	<u>29,670</u>	<u>13</u>
Fund Balances				
Reserved for:				
Community Redevelopment	22,692	0	0	220,850
Debt Service	0	0	0	0
Unreserved	0	0	414,933	0
Total Fund Balances	<u>22,692</u>	<u>0</u>	<u>414,933</u>	<u>220,850</u>
Total Liabilities and Fund Balances	<u>\$ 760,757</u>	<u>\$ 9,489</u>	<u>\$ 444,603</u>	<u>\$ 220,863</u>

CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003
(Concluded)

<u>Carver Heights Community Redevelopment Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 6,400	\$ 316,940	\$ 910,237
0	0	87,342
0	0	761,473
<u>6,400</u>	<u>316,940</u>	<u>1,759,052</u>
49	0	226,435
0	186,940	186,940
0	0	20,246
0	0	530,605
<u>49</u>	<u>186,940</u>	<u>964,226</u>
6,351	0	249,893
0	130,000	130,000
0	0	414,933
<u>6,351</u>	<u>130,000</u>	<u>794,826</u>
<u>\$ 6,400</u>	<u>\$ 316,940</u>	<u>\$ 1,759,052</u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF REVENUES , EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	Special Revenue Funds			Greater Leesburg Community Redevelopment Fund
	Community Development Fund	Housing Assistance Fund	Stormwater Fund	
Revenues				
Intergovernmental	\$ 751,821	\$ 899,331	\$ 114,086	\$ 136,089
Charges for Services	0	0	645,734	0
Miscellaneous:				
Interest	0	0	9,637	5,095
Other	0	0	2,189	0
Total Revenues	<u>751,821</u>	<u>899,331</u>	<u>771,646</u>	<u>141,184</u>
Expenditures				
Current:				
Physical Environment	0	899,331	450,730	0
Economic Environment	4,454	0	0	64,736
Capital Outlay	750,000	0	456,932	0
Debt Service:				
Principal	0	0	0	13,370
Interest	0	0	0	10,678
(Total Expenditures)	<u>(754,454)</u>	<u>(899,331)</u>	<u>(907,662)</u>	<u>(88,784)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(2,633)</u>	<u>0</u>	<u>(136,016)</u>	<u>52,400</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	0	0	0	88,397
Transfers to Other Funds	0	(52,785)	0	(88,108)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(52,785)</u>	<u>0</u>	<u>289</u>
Net Change in Fund Balance	(2,633)	(52,785)	(136,016)	52,689
Fund Balances, Beginning of Year	<u>25,325</u>	<u>52,785</u>	<u>550,949</u>	<u>168,161</u>
Fund Balances, End of Year	<u>\$ 22,692</u>	<u>\$ 0</u>	<u>\$ 414,933</u>	<u>\$ 220,850</u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF REVENUES , EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003
(Concluded)

Carver Heights Community Redevelopment Fund	Debt Service Fund	Total
\$ 3,822 0	\$ 501,981 0	\$ 2,407,130 645,734
95 0	2,324 0	17,151 2,189
<u>3,917</u>	<u>504,305</u>	<u>3,072,204</u>
0 49 0	0 0 0	1,350,061 69,239 1,206,932
0 0	125,000 374,305	138,370 384,983
<u>(49)</u>	<u>(499,305)</u>	<u>(3,149,585)</u>
<u>3,868</u>	<u>5,000</u>	<u>(77,381)</u>
2,483 0	0 0	90,880 (140,893)
<u>2,483</u>	<u>0</u>	<u>(50,013)</u>
6,351	5,000	(127,394)
<u>0</u>	<u>125,000</u>	<u>922,220</u>
<u>\$ 6,351</u>	<u>\$ 130,000</u>	<u>\$ 794,826</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Actual Amounts</u>	<u>Final Budget</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Taxes	\$ 1,254,754	\$ 1,193,070	\$ 61,684
Intergovernmental	3,086,080	3,848,078	(761,998)
Miscellaneous:			
Interest	75,947	78,930	(2,983)
Other	59,452	90,696	(31,244)
Total Revenues	<u>4,476,233</u>	<u>5,210,774</u>	<u>(734,541)</u>
Expenditures			
Capital Outlays:			
Public Safety	5,308,491	6,375,184	1,066,693
Physical Environment	296,513	524,400	227,887
Transportation	4,589,083	5,536,996	947,913
Culture and Recreation	2,258,950	3,119,373	860,423
(Total Expenditures)	<u>(12,453,037)</u>	<u>(15,555,953)</u>	<u>3,102,916</u>
(Deficiency) of Revenues			
(Under) Expenditures	<u>(7,976,804)</u>	<u>(10,345,179)</u>	<u>2,368,375</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	2,006,087	3,920,072	(1,913,985)
Transfers to Other Funds	0	0	0
Total Other Financing Sources	<u>2,006,087</u>	<u>3,920,072</u>	<u>(1,913,985)</u>
Net Change in Fund Balances	(5,970,717)	(6,425,107)	454,390
Fund Balance, Beginning of Year	<u>6,425,107</u>	<u>6,425,107</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 454,390</u>	<u>\$ 0</u>	<u>\$ 454,390</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 751,821	\$ 750,000	\$ 1,821
Expenditures			
Current:			
Physical Environment	4,454	0	(4,454)
Capital Outlay	750,000	750,000	0
(Total Expenditures)	<u>(754,454)</u>	<u>(750,000)</u>	<u>(4,454)</u>
(Deficiency) of Revenues (Under)			
Expenditures	<u>(2,633)</u>	<u>0</u>	<u>(2,633)</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	0	0	0
Transfers to Other Funds	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
(Deficiency) of Revenues and Other Financing			
Sources (Under) Expenditures and Other			
Financing Uses	(2,633)	0	(2,633)
Fund Balance, Beginning of Year	<u>25,325</u>	<u>25,325</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 22,692</u>	<u>\$ 25,325</u>	<u>\$ (2,633)</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental:			
HUD Contributions	<u>\$ 899,331</u>	<u>\$ 899,331</u>	<u>\$ 0</u>
Expenditures			
Economic Environment:			
Housing Assistance:			
Operating Expenditures	<u>899,331</u>	<u>899,331</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	<u>(52,785)</u>	<u>(52,785)</u>	<u>0</u>
Net Change in Fund Balance	<u>(52,785)</u>	<u>(52,785)</u>	<u>0</u>
Fund Balance, Beginning of Year	<u>52,785</u>	<u>52,785</u>	<u>0</u>
Fund Balance, End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 114,086	\$ 181,000	\$ (66,914)
Charges for Services:			
Utility Fees	645,734	635,700	10,034
Miscellaneous:			
Interest	9,637	14,128	(4,491)
Other	2,189	0	2,189
Total Revenues	<u>771,646</u>	<u>830,828</u>	<u>(59,182)</u>
Expenditures			
Current Operating			
Physical Environment:			
Personal Services	126,687	170,092	43,405
Operating Expenditures	324,043	407,760	83,717
Capital Outlay	456,932	633,362	176,430
Other Uses	0	18,009	18,009
(Total Expenditures)	<u>(907,662)</u>	<u>(1,229,223)</u>	<u>321,561</u>
(Deficiency) of Revenues (Under)			
Expenditures	<u>(136,016)</u>	<u>(398,395)</u>	<u>262,379</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	0	0	0
Transfers to Other Funds	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
(Deficiency) of Revenues and Other Financing			
Sources (Under) Expenditures and Other			
Financing Uses	(136,016)	(398,395)	262,379
Fund Balance, Beginning of Year	<u>550,949</u>	<u>550,949</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 414,933</u>	<u>\$ 152,554</u>	<u>\$ 262,379</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GREATER LEESBURG COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 136,089	\$ 136,089	\$ 0
Interest	5,095	3,500	1,595
Total Revenues	<u>141,184</u>	<u>139,589</u>	<u>1,595</u>
Expenditures			
Economic Environment:			
Operating Expenditures	64,737	283,993	219,256
Debt Service	24,047	24,047	0
(Total Expenditures)	<u>(88,784)</u>	<u>(308,040)</u>	<u>219,256</u>
Excess of Revenues Over Expenditures	<u>52,400</u>	<u>(168,451)</u>	<u>220,851</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	88,397	256,559	(168,162)
Transfers to Other Funds	(88,108)	(88,108)	0
Total Other Financing Sources	<u>289</u>	<u>168,451</u>	<u>(168,162)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	52,689	0	52,689
Fund Balance, Beginning of Year	<u>168,161</u>	<u>168,161</u>	<u>0</u>
Fund Balance, End of Year	<u><u>\$ 220,850</u></u>	<u><u>\$ 168,161</u></u>	<u><u>\$ 52,689</u></u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CARVER HEIGHTS COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 3,822	\$ 3,822	\$ 0
Interest	95	0	95
Total Revenues	<u>3,917</u>	<u>3,822</u>	<u>95</u>
Expenditures			
Economic Environment:			
Operating Expenditures	<u>49</u>	<u>6,305</u>	<u>6,256</u>
Excess of Revenues Over Expenditures	<u>3,868</u>	<u>(2,483)</u>	<u>6,351</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	2,483	2,483	0
Transfers to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>2,483</u>	<u>2,483</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	6,351	0	6,351
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 6,351</u>	<u>\$ 0</u>	<u>\$ 6,351</u>

**CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2003**

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Cash			
Equivalents	\$ 1,827,944	\$ 1,547,247	\$ 3,375,191
Miscellaneous Receivables	80,668	30,402	111,070
Total Current Assets	<u>1,908,612</u>	<u>1,577,649</u>	<u>3,486,261</u>
Total Assets	<u>1,908,612</u>	<u>1,577,649</u>	<u>3,486,261</u>
Liabilities			
Current Liabilities:			
Accounts Payable	13,033	12,575	25,608
Claims Payable	522,465	948,689	1,471,154
Total Current Liabilities	<u>535,498</u>	<u>961,264</u>	<u>1,496,762</u>
Total Liabilities	<u>535,498</u>	<u>961,264</u>	<u>1,496,762</u>
Net Assets			
Unrestricted	<u>\$ 1,373,114</u>	<u>\$ 616,385</u>	<u>\$ 1,989,499</u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Operating Revenues			
Charges for Services	\$ 3,527,865	\$ 371,820	\$ 3,899,685
Operating Expenses			
Claims Expense	1,777,577	781,718	2,559,295
Administrative Expenses	456,346	19,502	475,848
Insurance Premiums	597,766	92,711	690,477
(Total Operating Expenses)	(2,831,689)	(893,931)	(3,725,620)
Operating Income (Loss)	696,176	(522,111)	174,065
Nonoperating Revenues			
Investment Income (Loss)	21,614	34,666	56,280
Other Nonoperating Income (Loss)	341,579	0	341,579
Total Nonoperating Revenues	363,193	34,666	397,859
Income (Loss) Before Operating Transfers	1,059,369	(487,445)	571,924
Net Operating Transfers to Other Funds	0	0	0
Change in Net Assets	1,059,369	(487,445)	571,924
Total Net Assets, Beginning of Year	313,745	1,103,830	1,417,575
Total Net Assets, End of Year	\$ 1,373,114	\$ 616,385	\$ 1,989,499

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Cash Flows from Operating Activities			
Cash Received from Employees	\$ 3,989,712	\$ 353,032	\$ 4,342,744
Cash Paid to Suppliers for Goods and Services	(1,114,072)	(111,659)	(1,225,731)
Cash Paid for Insurance Claims	(1,622,528)	(476,129)	(2,098,657)
Net Cash Provided by (Used in) Operating Activities	<u>1,253,112</u>	<u>(234,756)</u>	<u>1,018,356</u>
Cash Flows from Investing Activities			
Investment Income	<u>21,614</u>	<u>34,666</u>	<u>56,280</u>
Net Cash Provided by (Used in) Investing Activities	<u>21,614</u>	<u>34,666</u>	<u>56,280</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,274,726	(200,090)	1,074,636
Cash and Cash Equivalents, Beginning of Year	<u>553,218</u>	<u>1,747,337</u>	<u>2,300,555</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,827,944</u></u>	<u><u>\$ 1,547,247</u></u>	<u><u>\$ 3,375,191</u></u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Concluded)

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
	<hr/>	<hr/>	<hr/>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Cash Provided by (Used in) Operating</u>			
<u>Activities:</u>			
Operating Income (Loss)	\$ 696,176	\$ (522,111)	\$ 174,065
Adjustment to Reconcile Operating Income			
to Cash Flows Provided by (Used in)			
Operating Activities:			
Nonoperating Income (Loss)	341,579	0	341,579
Decrease (Increase) in Miscellaneous			
Receivables	120,268	(18,788)	101,480
Inventories	0	0	0
Increase (Decrease) in Accounts Payable			
and Accrued Expenses	95,089	306,143	401,232
Interfund Payables	0	0	0
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in)			
Operating Activities	<u><u>\$ 1,253,112</u></u>	<u><u>\$ (234,756)</u></u>	<u><u>\$ 1,018,356</u></u>

STATISTICAL SECTION

(Unaudited)

Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present nonaccounting data. These schedules reflect social and economic data and financial trends of the City of Leesburg, Florida, and are designed to give the reader insights into the financial position of the City of Leesburg not readily apparent from the financial statements.

Statistical data are presented to provide greater detail information than reported in the preceding basic financial statements. This information in many cases has been spread throughout the report and is brought together here for greater clarity. Statistical data are not necessary for fair presentation in conformity with generally accepted accounting principles.

The schedule entitled "Computation of Legal Debt Margin," which is recommended for inclusion in the Comprehensive Annual Financial Report by the Government Finance Officers Association of the United States and Canada, is not included within this report inasmuch as no legal debt margin has been established for the City of Leesburg pursuant to the Constitution of the State of Florida, Florida Statutes, City ordinances or other laws applicable to the City of Leesburg. The City has had no general obligation debt outstanding during the past ten years.

CITY OF LEESBURG, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION⁽¹⁾
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Physical Environment</u>
1994	\$ 3,131,964	\$ 4,587,398	\$ 804,917	\$ 869,583
Percent of Total	6.44%	9.43%	1.65%	1.79%
1995	\$ 3,439,974	\$ 4,883,377	\$ 801,839	\$ 1,064,938
Percent of Total	6.76%	9.60%	1.58%	2.09%
1996	\$ 3,581,053	\$ 5,200,748	\$ 968,573	\$ 1,037,479
Percent of Total	6.75%	9.80%	1.82%	1.95%
1997	\$ 3,677,040	\$ 5,772,211	\$ 628,878	\$ 946,842
Percent of Total	6.59%	10.35%	1.13%	1.70%
1998	\$ 4,446,495	\$ 6,096,292	\$ 595,606	\$ 883,875
Percent of Total	7.37%	10.10%	0.99%	1.47%
1999	\$ 3,844,042	\$ 6,093,036	\$ 1,510,205	\$ 1,113,690
Percent of Total	6.74%	10.69%	2.65%	1.95%
2000	\$ 3,852,844	\$ 6,336,134	\$ 1,710,323	\$ 1,358,276
Percent of Total	6.48%	10.65%	2.87%	2.28%
2001	\$ 4,920,929	\$ 7,076,688	\$ 1,369,496	\$ 3,122,998
Percent of Total	6.82%	9.80%	1.90%	4.33%
2002	\$ 5,300,534	\$ 7,793,941	\$ 1,329,189	\$ 1,992,276
Percent of Total	7.45%	10.96%	1.87%	2.80%
2003	\$ 1,072,010	\$ 9,154,635	\$ 1,134,593	\$ 1,533,182
Percent of Total	1.47%	12.57%	1.56%	2.11%

Notes: (1) Includes general, special revenue, interest on long term debt and enterprise funds.

CITY OF LEESBURG, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION⁽¹⁾
LAST TEN FISCAL YEARS
(Concluded)

Economic Development	Human Services	Culture/ Recreation	Interest on Long-term Debt	Public Utilities	Total
\$ 770,362 1.58%	\$ 30,466 0.06%	\$ 2,085,129 4.29%	\$ 350,880 0.72%	\$ 36,028,000 74.05%	\$ 48,658,699 100.01%
\$ 1,175,585 2.31%	\$ 30,803 0.06%	\$ 2,225,365 4.38%	\$ 340,880 0.67%	\$ 36,890,000 72.54%	\$ 50,852,761 99.99%
\$ 1,134,200 2.14%	\$ 31,379 0.06%	\$ 2,459,103 4.63%	\$ 329,780 0.62%	\$ 38,336,045 72.22%	\$ 53,078,360 99.99%
\$ 768,703 1.38%	\$ 49,723 0.09%	\$ 2,758,648 4.95%	\$ 317,780 0.57%	\$ 40,839,540 73.25%	\$ 55,759,365 100.01%
\$ 1,335,247 2.21%	\$ 47,999 0.09%	\$ 2,807,600 4.65%	\$ 304,760 0.52%	\$ 43,813,859 72.63%	\$ 60,331,733 100.03%
\$ 1,638,637 2.87%	\$ 32,578 0.06%	\$ 2,567,542 4.50%	\$ 161,368 0.28%	\$ 40,048,614 70.23%	\$ 57,009,712 99.97%
\$ 1,718,148 2.89%	\$ 41,085 0.07%	\$ 2,685,487 4.51%	\$ 385,813 0.65%	\$ 41,402,695 69.61%	\$ 59,490,805 100.01%
\$ 1,740,293 2.41%	\$ 46,153 0.06%	\$ 2,810,475 3.89%	\$ 383,805 0.53%	\$ 50,735,406 70.26%	\$ 72,206,243 100.00%
\$ 957,399 1.35%	\$ 46,551 0.07%	\$ 3,243,260 4.56%	\$ 379,005 0.53%	\$ 50,080,336 70.40%	\$ 71,122,491 99.99%
\$ 189,735 0.26%	\$ 45,769 0.06%	\$ 4,004,672 5.50%	\$ 384,557 0.53%	\$ 55,286,676 75.93%	\$ 72,805,829 99.99%

**CITY OF LEESBURG, FLORIDA
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS**

Fiscal Year	Program Revenues		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
1994	\$ 0	\$ 0	\$ 0
1995	\$ 0	\$ 0	\$ 0
1996	\$ 0	\$ 0	\$ 0
1997	\$ 0	\$ 0	\$ 0
1998	\$ 0	\$ 0	\$ 0
1999	\$ 0	\$ 0	\$ 0
2000	\$ 0	\$ 0	\$ 0
2001	\$ 0	\$ 0	\$ 0
2002	\$ 0	\$ 0	\$ 0
2003	\$ 60,044,264	\$ 911,203	\$ 5,644,398
Percent of Total	76.20%	1.16%	7.16%

Notes: (1) Data not available prior to the implementation of GASB Statement No. 34.

(2) Includes ad valorem, franchise, local option sales and gas taxes.

CITY OF LEESBURG, FLORIDA
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS
(Concluded)

General Revenues					
Charges for Taxes ⁽²⁾	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investments Earnings	Miscellaneous	Total	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
\$ 8,862,116 11.25%	\$ 1,757,283 2.23%	\$ 1,280,167 1.62%	\$ 296,055 0.38%	\$ 78,795,486 100.00%	

CITY OF LEESBURG, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION⁽¹⁾
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Transportation</u>
1994	\$ 3,131,964	\$ 4,587,398	\$ 869,583	\$ 804,917
Percent of Total	23.17%	33.94%	6.43%	5.95%
1995	\$ 3,439,974	\$ 4,883,377	\$ 1,064,938	\$ 801,839
Percent of Total	21.23%	30.14%	6.57%	4.95%
1996	\$ 3,581,053	\$ 5,200,748	\$ 1,037,479	\$ 968,573
Percent of Total	22.69%	32.95%	6.57%	6.14%
1997	\$ 3,677,040	\$ 5,772,211	\$ 946,842	\$ 628,878
Percent of Total	21.73%	34.11%	5.59%	3.72%
1998	\$ 4,446,495	\$ 6,096,292	\$ 883,875	\$ 595,606
Percent of Total	23.52%	32.25%	4.68%	3.15%
1999	\$ 3,844,042	\$ 6,093,036	\$ 1,113,690	\$ 1,510,205
Percent of Total	18.23%	28.89%	5.28%	7.16%
2000	\$ 3,852,844	\$ 6,336,134	\$ 1,358,276	\$ 1,710,323
Percent of Total	20.00%	32.88%	7.05%	8.88%
2001	\$ 4,920,929	\$ 7,076,688	\$ 3,122,998	\$ 1,369,496
Percent of Total	21.35%	30.71%	13.55%	5.94%
2002	\$ 5,300,534	\$ 7,793,941	\$ 1,992,276	\$ 1,329,189
Percent of Total	20.48%	30.11%	7.70%	5.14%
2003	\$ 1,072,010	\$ 9,154,635	\$ 1,533,182	\$ 1,134,593
Percent of Total	3.35%	28.60%	4.79%	3.54%

Notes: (1) Includes general, special revenue, debt service and capital projects funds.

CITY OF LEESBURG, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION⁽¹⁾
LAST TEN FISCAL YEARS
(Concluded)

<u>Economic Environment</u>	<u>Human Services</u>	<u>Culture/ Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 770,362 5.70%	\$ 30,466 0.23%	\$ 2,085,129 15.43%	\$ 714,251 5.28%	\$ 523,380 3.87%	\$ 13,517,450 100.00%
\$ 1,175,585 7.26%	\$ 30,803 0.19%	\$ 2,225,365 13.73%	\$ 2,059,078 12.71%	\$ 522,000 3.22%	\$ 16,202,959 100.00%
\$ 1,134,200 7.19%	\$ 31,379 0.20%	\$ 2,459,103 15.58%	\$ 848,387 5.38%	\$ 520,980 3.30%	\$ 15,781,902 100.00%
\$ 768,703 4.54%	\$ 49,723 0.29%	\$ 2,758,648 16.30%	\$ 1,800,650 10.64%	\$ 522,082 3.08%	\$ 16,924,777 100.00%
\$ 1,335,247 7.06%	\$ 47,999 0.26%	\$ 2,807,600 14.85%	\$ 2,172,578 11.49%	\$ 515,960 2.74%	\$ 18,901,652 100.00%
\$ 1,638,637 7.77%	\$ 32,578 0.15%	\$ 2,567,542 12.18%	\$ 2,985,420 14.16%	\$ 1,302,531 6.18%	\$ 21,087,681 100.00%
\$ 1,718,148 8.92%	\$ 41,085 0.21%	\$ 2,685,487 13.94%	\$ 1,179,181 6.12%	\$ 386,303 2.00%	\$ 19,267,781 100.00%
\$ 1,740,293 7.55%	\$ 46,153 0.20%	\$ 2,810,475 12.19%	\$ 1,520,633 6.60%	\$ 439,255 1.91%	\$ 23,046,920 100.00%
\$ 957,399 3.70%	\$ 46,551 0.18%	\$ 3,243,260 12.53%	\$ 4,719,851 18.23%	\$ 499,430 1.93%	\$ 25,882,431 100.00%
\$ 189,735 0.59%	\$ 45,769 0.14%	\$ 4,004,672 12.51%	\$ 14,292,973 44.66%	\$ 583,353 1.82%	\$ 32,010,922 100.00%

CITY OF LEESBURG, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
LAST TEN FISCAL YEARS

Fiscal Year	Taxes⁽³⁾	Licenses and Permits	Intergovernmental
1994	\$ 3,112,968	\$ 218,210	\$ 2,328,189
Percent of Total	34.07%	2.39%	25.48%
1995	\$ 3,286,834	\$ 250,570	\$ 2,751,793
Percent of Total	31.53%	2.40%	26.40%
1996	\$ 3,380,526	\$ 264,121	\$ 2,861,874
Percent of Total	30.70%	2.40%	25.99%
1997	\$ 4,019,315	\$ 278,600	\$ 2,217,082
Percent of Total	35.87%	2.49%	19.79%
1998	\$ 4,138,872	\$ 273,436	\$ 3,192,427
Percent of Total	33.33%	2.20%	25.71%
1999	\$ 4,560,397	\$ 296,298	\$ 4,195,239
Percent of Total	32.71%	2.13%	30.09%
2000	\$ 5,572,966	\$ 323,608	\$ 3,651,192
Percent of Total	37.56%	2.18%	24.61%
2001	\$ 6,604,777	\$ 379,376	\$ 5,045,255
Percent of Total	33.70%	1.94%	25.74%
2002	\$ 7,612,203	\$ 432,905	\$ 5,546,337
Percent of Total	37.50%	2.13%	27.32%
2003	\$ 8,162,395	\$ 431,630	\$ 7,018,014
Percent of Total	45.61%	2.41%	39.22%

Notes: (1) Includes general, special revenue, debt service and capital projects funds.

(2) Includes ad valorem, franchise, local option sales and gas taxes.

(3) Includes interest income and reimbursements received from the enterprise funds for services provided by general fund departments.

CITY OF LEESBURG, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
LAST TEN FISCAL YEARS
(Concluded)

Charges for Services	Fines and Forfeitures	Miscellaneous Revenues ⁽³⁾	Total
\$ 453,311 4.96%	\$ 172,733 1.89%	\$ 2,851,526 31.21%	\$ 9,136,937 100.00%
\$ 571,151 5.48%	\$ 211,141 2.02%	\$ 3,353,670 32.17%	\$ 10,425,159 100.00%
\$ 912,675 8.29%	\$ 242,709 2.20%	\$ 3,349,482 30.42%	\$ 11,011,387 100.00%
\$ 949,880 8.48%	\$ 283,447 2.53%	\$ 3,455,912 30.84%	\$ 11,204,236 100.00%
\$ 987,987 7.96%	\$ 298,233 2.40%	\$ 3,525,549 28.40%	\$ 12,416,504 100.00%
\$ 824,451 5.91%	\$ 303,902 2.18%	\$ 3,760,922 26.98%	\$ 13,941,209 100.00%
\$ 807,146 5.44%	\$ 294,762 1.99%	\$ 4,188,804 28.22%	\$ 14,838,478 100.00%
\$ 826,919 4.22%	\$ 283,690 1.45%	\$ 6,459,178 32.95%	\$ 19,599,195 100.00%
\$ 811,981 4.00%	\$ 260,586 1.28%	\$ 5,637,367 27.77%	\$ 20,301,379 100.00%
\$ 904,570 5.06%	\$ 288,317 1.61%	\$ 1,089,194 6.09%	\$ 17,894,120 100.00%

**CITY OF LEESBURG, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy⁽¹⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1994	\$ 2,292,151	\$ 2,149,997	93.80%	\$ 65,087	\$ 2,215,084	96.64%
1995	\$ 2,368,087	\$ 2,274,288	96.04%	\$ 26,188	\$ 2,300,476	97.14%
1996	\$ 2,422,689	\$ 2,305,607	95.17%	\$ 16,415	\$ 2,322,022	95.84%
1997	\$ 2,486,788	\$ 2,336,056	93.94%	\$ 29,880	\$ 2,365,936	95.14%
1998	\$ 2,543,785	\$ 2,328,419	91.53%	\$ 68,795	\$ 2,397,214	94.24%
1999	\$ 2,657,361	\$ 2,426,663	91.32%	\$ 232,817	\$ 2,659,480	100.08%
2000	\$ 2,697,639	\$ 2,605,488	96.58%	\$ 7,935	\$ 2,613,423	96.88%
2001	\$ 2,888,432	\$ 2,772,878	96.00%	\$ 16,364	\$ 2,789,242	96.57%
2002	\$ 3,009,591	\$ 2,791,790	92.76%	\$ 42,742	\$ 2,834,532	94.18%
2003	\$ 3,081,481	\$ 2,958,618	96.01%	\$ 36,530	\$ 2,995,148	97.20%

Notes: (1) Source: Lake County Property Appraiser

CITY OF LEESBURG, FLORIDA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Centrally Assessed Property⁽²⁾	
	Assessed Value⁽¹⁾	Estimated Actual Value	Assessed Value⁽¹⁾	Estimated Actual Value	Assessed Value⁽¹⁾	Estimated Actual Value
1994	\$ 358,897,370	\$ 384,258,426	\$ 150,270,237	\$ 160,888,905	\$ 199,314	\$ 213,398
1995	\$ 370,400,030	\$ 370,400,030	\$ 155,590,025	\$ 155,590,025	\$ 251,544	\$ 251,544
1996	\$ 383,701,275	\$ 383,701,275	\$ 154,389,802	\$ 154,389,802	\$ 284,266	\$ 284,266
1997	\$ 399,491,127	\$ 405,163,415	\$ 152,676,397	\$ 154,844,216	\$ 452,036	\$ 458,454
1998	\$ 412,304,589	\$ 417,312,337	\$ 152,562,892	\$ 154,415,883	\$ 418,085	\$ 423,163
1999	\$ 425,773,469	\$ 425,773,469	\$ 164,333,794	\$ 164,333,794	\$ 417,391	\$ 417,391
2000	\$ 444,148,201	\$ 444,148,201	\$ 155,005,102	\$ 155,005,102	\$ 321,959	\$ 321,959
2001	\$ 484,548,724	\$ 466,809,946	\$ 156,992,080	\$ 151,244,778	\$ 332,879	\$ 320,693
2002	\$ 508,568,311	\$ 508,568,311	\$ 159,860,605	\$ 159,860,605	\$ 369,119	\$ 369,119
2003	\$ 535,201,360	\$ 515,608,247	\$ 149,243,979	\$ 143,780,327	\$ 328,106	\$ 316,094

Notes: (1) Source: Lake County Property Appraiser

(2) Centrally assessed property consists of railroad and telegraph systems which are assessed by the State of Florida.

(3) Source: State of Florida, Department of Revenue, Division of Ad Valorem Tax
(<http://sun6.dms.state.fl.us/dor/property>)
Florida Property Valuations & Tax Data book.

CITY OF LEESBURG, FLORIDA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Concluded)

Exempt		Total		Ratio of Total Assessed Value to Total Estimated Actual Value⁽³⁾
Assessed Value⁽¹⁾	Estimated Actual Value	Assessed Value⁽¹⁾	Estimated Actual Value	
\$ 175,186,234	\$ 187,565,561	\$ 684,553,155	\$ 732,926,290	93.40
\$ 181,821,009	\$ 181,821,009	\$ 708,062,608	\$ 708,062,608	100.00
\$ 202,938,364	\$ 202,938,364	\$ 741,313,707	\$ 741,313,707	100.00
\$ 249,811,011	\$ 253,358,023	\$ 802,430,571	\$ 813,824,108	98.60
\$ 282,714,883	\$ 286,148,667	\$ 848,000,449	\$ 858,300,050	98.80
\$ 234,178,498	\$ 234,178,498	\$ 824,703,152	\$ 824,703,152	100.00
\$ 284,449,960	\$ 284,449,960	\$ 883,925,222	\$ 883,925,222	100.00
\$ 279,831,681	\$ 269,587,361	\$ 921,705,364	\$ 887,962,778	103.80
\$ 278,372,434	\$ 278,372,434	\$ 947,170,469	\$ 947,170,469	100.00
\$ 313,836,911	\$ 302,347,698	\$ 998,610,356	\$ 962,052,366	103.80

CITY OF LEESBURG, FLORIDA
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS ⁽¹⁾⁽²⁾
LAST TEN FISCAL YEARS

Fiscal Year	City	School District	County	Ambulance District	Northwest Hospital District	Water Conservation Authority	Water Management District	Total
1994	4.500	8.938	5.135	0.222	1.000	0.517	0.470	20.782
1995	4.500	8.515	5.135	0.222	1.000	0.400	0.482	20.254
1996	4.500	9.678	4.927	0.222	1.000	0.384	0.482	21.193
1997	4.500	9.228	4.909	0.158	1.000	0.384	0.482	20.661
1998	4.500	9.100	4.733	0.158	1.000	0.384	0.482	20.357
1999	4.500	9.190	4.733	0.268	1.000	0.384	0.482	20.557
2000	4.500	8.742	4.733	0.316	1.000	0.500	0.482	20.273
2001	4.500	8.495	5.117	0.550	1.000	0.500	0.472	20.634
2002	4.500	8.202	5.117	0.529	1.000	0.500	0.462	20.310
2003	4.500	8.395	5.917	0.529	1.000	0.482	0.462	21.285

Notes: (1) Source: Lake County Property Appraiser

(2) Rates are stated as an amount per \$1,000 of assessed value.

CITY OF LEESBURG, FLORIDA
PRINCIPAL TAXPAYERS⁽¹⁾
SEPTEMBER 30, 2003

Taxpayer	Type of Business	2002 Assessed Valuation⁽²⁾	Percentage of Total Assessed Valuation
Sprint	Telecommunications	\$ 47,418,136	6.93%
Cutrale Citrus Juices, U.S.A., Inc.	Citrus Processing	43,093,559	6.29%
SDG Macerich Properties LP	Shopping Mall	28,683,181	4.19%
Lake Port Properties	Retirement Community	23,556,945	3.44%
Wal-Mart Stores, Inc.	Department Store	8,790,534	1.29%
Lowe's Home Centers, Inc.	Home Improvement Center	7,502,707	1.10%
Publix Super Markets, Inc.	Grocery Store	6,851,223	1.00%
Huntington Banks	Banking	6,838,270	1.00%
Home Depot USA, Inc.	Home Improvement Center	5,279,395	0.77%
SunTrust Banks of Central Florida	Banking	4,813,321	0.70%
Dayton Hudson Corp.	Department Store	4,127,629	0.60%
Buffalo-Gateway Business Trust	Shopping Center	3,857,404	0.56%
Horne Properties, Inc.	Shopping Center	3,769,933	0.55%
Subtotal		194,582,237	28.42%
All Others		490,191,208	71.58%
Total		<u>\$ 684,773,445</u>	<u>100.00%</u>

Notes: (1) Source: Lake County Property Appraiser

(2) Taxable Values (Florida Statutes Section 193.011) are as of January 1, 2002 and represent total property values (including real property, personal property, and centrally assessed property) after exemptions.

CITY OF LEESBURG, FLORIDA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION AND SPECIAL REVENUE BONDED DEBT TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES⁽¹⁾
LAST TEN FISCAL YEARS

Fiscal Year	Debt Service ⁽²⁾				Total General Governmental Expenditures⁽³⁾	Ratio of Debt Service to Total General Governmental Expenditures
	Principal	Interest	Other	Total		
1994	\$ 170,000	\$ 350,880	\$ 2,500	\$ 523,380	\$ 13,517,450	3.87
1995	\$ 180,000	\$ 340,880	\$ 1,120	\$ 522,000	\$ 16,202,959	3.22
1996	\$ 190,000	\$ 329,780	\$ 1,200	\$ 520,980	\$ 15,781,902	3.30
1997	\$ 200,000	\$ 317,780	\$ 4,302	\$ 522,082	\$ 16,924,777	3.08
1998	\$ 210,000	\$ 304,760	\$ 1,200	\$ 515,960	\$ 18,901,652	2.73
1999	\$ 1,141,163	\$ 161,368	\$ 0	\$ 1,302,531	\$ 21,087,681	6.18
2000	\$ 0	\$ 385,813	\$ 490	\$ 386,303	\$ 19,267,781	2.00
2001	\$ 55,000	\$ 383,805	\$ 450	\$ 439,255	\$ 23,046,920	1.91
2002	\$ 120,000	\$ 379,005	\$ 425	\$ 499,430	\$ 25,882,431	1.93
2003	\$ 198,370	\$ 384,557	\$ 426	\$ 583,353	\$ 32,010,922	1.82

Notes: (1) Includes Refunding and Capital Improvement Revenue Bonds, Series 1987, which are special obligation bonds.

(2) Source: City of Leesburg, Finance Department, Accounting Division

(3) Includes general, special revenue, debt service, capital projects funds.
Excludes operating transfers out.

**CITY OF LEESBURG, FLORIDA
COMPUTATION OF OVERLAPPING
GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2003**

Neither the City of Leesburg, Florida, nor any of its overlapping governments had any general obligation debt outstanding as of September 30, 2003.

**CITY OF LEESBURG, FLORIDA
PUBLIC IMPROVEMENT REVENUE BONDS
SERIES 1987 AND 1999 (REFUNDING)
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Sales Tax Revenues⁽¹⁾	Guaranteed Portion-State Revenues Sharing⁽²⁾	Miscellaneous Revenues⁽³⁾	Total Available Revenues	Direct Operating Expenses
1994	\$ 527,512	\$ 309,234	\$ 18,959	\$ 855,705	\$ 0
1995	\$ 544,695	\$ 309,234	\$ 29,236	\$ 883,165	\$ 0
1996	\$ 568,196	\$ 309,234	\$ 28,926	\$ 906,356	\$ 0
1997	\$ 586,849	\$ 309,234	\$ 34,508	\$ 930,591	\$ 0
1998	\$ 634,020	\$ 309,234	\$ 41,931	\$ 985,185	\$ 0
1999	\$ 687,104	\$ 309,234	\$ 32,759	\$ 1,029,097	\$ 0
2000	\$ 728,963	\$ 309,234	\$ 7,979	\$ 1,046,176	\$ 0
2001	\$ 737,543	\$ 309,234	\$ 7,547	\$ 1,054,324	\$ 0
2002	\$ 797,754	\$ 309,234	\$ 4,011	\$ 1,110,999	\$ 0
2003	\$ 822,027	\$ 309,234	\$ 2,324	\$ 1,133,585	\$ 0

Notes: (1) Gross sales tax revenues are defined pursuant to Resolution 5729 as the proceeds of the local government half-cent sales tax as described in Part VI, Chapter 218, Florida Statutes.

(2) Guaranteed entitlement is the portion of state revenue sharing funds available to the City that are assigned, pledged, or set aside as a trust for the payment of principal or interest on the bonds pursuant to Part II, Chapter 218, Florida Statutes.

(3) Includes interest earnings and other miscellaneous revenues in the debt service fund.

CITY OF LEESBURG, FLORIDA
PUBLIC IMPROVEMENT REVENUE BONDS
SERIES 1987 AND 1999 (REFUNDING)
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(Concluded)

Net Revenue Available for Debt Service	Debt Service Requirements				Debt Coverage
	Principal	Interest	Other Debt Service	Total	
\$ 855,705	\$ 170,000	\$ 350,880	\$ 2,500	\$ 523,380	1.63
\$ 883,165	\$ 180,000	\$ 340,880	\$ 1,120	\$ 522,000	1.69
\$ 906,356	\$ 190,000	\$ 329,780	\$ 1,200	\$ 520,980	1.74
\$ 930,591	\$ 200,000	\$ 317,780	\$ 4,302	\$ 522,082	1.78
\$ 985,185	\$ 210,000	\$ 304,760	\$ 1,200	\$ 515,960	1.91
\$ 1,029,097	\$ 1,141,163	\$ 161,368	\$ 0	\$ 1,302,531	0.79
\$ 1,046,176	\$ 0	\$ 385,813	\$ 490	\$ 386,303	2.71
\$ 1,054,324	\$ 55,000	\$ 383,805	\$ 450	\$ 439,255	2.40
\$ 1,110,999	\$ 120,000	\$ 379,005	\$ 425	\$ 499,430	2.22
\$ 1,133,585	\$ 198,370	\$ 384,557	\$ 426	\$ 583,353	1.94

**CITY OF LEESBURG, FLORIDA
COMBINED UTILITY FUNDS
SERIES 1984 AND 1999 (REFUNDING)
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenues⁽¹⁾	Less Operation and Maintenance Expenses⁽²⁾	Net Pledged Revenues Available for Debt Service⁽³⁾
1994	\$ 39,727,736	\$ 27,399,337	\$ 12,328,399
1995	\$ 44,364,812	\$ 29,331,332	\$ 15,033,480
1996	\$ 47,215,501	\$ 30,950,655	\$ 16,264,846
1997	\$ 47,672,195	\$ 33,418,639	\$ 14,253,556
1998	\$ 49,884,307	\$ 34,950,378	\$ 14,933,929
1999	\$ 47,858,976	\$ 31,621,046	\$ 16,237,930
2000	\$ 49,259,516	\$ 33,179,030	\$ 16,080,486
2001	\$ 56,841,768	\$ 41,905,296	\$ 14,936,472
2002	\$ 52,747,595	\$ 40,700,445	\$ 12,047,150
2003	\$ 57,470,890	\$ 46,236,831	\$ 11,234,059

Notes: (1) Gross revenues are defined pursuant to Ordinance 99-28, which authorized the issuance of the bonds as all income and earnings (excluding contributed capital) derived by the City from the ownership, operation, leasing or use of the system, and investment income, excluding capital expansion and system improvements.

(2) Operation and maintenance expenses are defined as the cost of operation and maintenance as defined pursuant to Ordinance 99-28, authorizing issuance of the bonds as current expenses, paid or accrued, less depreciation expense.

(3) Pledged revenues are defined as gross revenues less operating expenses.

**CITY OF LEESBURG, FLORIDA
COMBINED UTILITY FUNDS
SERIES 1984 AND 1999 (REFUNDING)
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(Concluded)**

Debt Service Requirements				Debt Coverage
Principal	Interest	Sinking Fund	Total	
\$ 235,000	\$ 1,502,427	\$ 0	\$ 1,737,427	7.10
\$ 955,000	\$ 1,487,152	\$ 0	\$ 2,442,152	6.16
\$ 1,020,000	\$ 1,424,122	\$ 0	\$ 2,444,122	6.65
\$ 1,090,000	\$ 1,355,272	\$ 0	\$ 2,445,272	5.83
\$ 1,160,000	\$ 1,280,062	\$ 0	\$ 2,440,062	6.12
\$ 1,245,000	\$ 1,198,862	\$ 0	\$ 2,443,862	6.64
\$ 1,079,999	\$ 4,353,397	\$ (3,805,000)	\$ 1,628,396	9.88
\$ 485,000	\$ 1,396,561	\$ 0	\$ 1,881,561	7.94
\$ 505,000	\$ 1,377,161	\$ 0	\$ 1,882,161	6.40
\$ 525,000	\$ 1,356,456	\$ 0	\$ 1,881,456	5.97

**CITY OF LEESBURG, FLORIDA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾		
				Lake County	Florida	United States
1994	15,005	\$ 19,189	4,997	6.0%	6.6%	6.1%
1995	15,014	\$ 19,974	5,157	7.1%	5.5%	5.6%
1996	15,352	\$ 20,801	5,403	4.4%	5.1%	5.4%
1997	15,409	\$ 21,652	5,427	3.9%	4.8%	4.9%
1998	15,658	\$ 22,344	5,439	3.2%	4.3%	4.5%
1999	15,624	\$ 23,289	5,588	2.5%	3.9%	4.2%
2000	15,956	\$ 23,976	4,845	2.5%	3.6%	4.0%
2001	16,033	N/A(5)	4,366	3.4%	3.4%	4.8%
2002	16,104	N/A(5)	4,880	4.7%	5.5%	5.4%
2003	16,290	N/A(5)	5,730	4.8%	5.2%	6.1%

Notes: (1) Source: University of Florida, Bureau of Economic and Business Research

(2) Source: Lake County information from Florida Statistical Abstract, Table 5.10 - Personal Income

(3) Source: Lake County School Board, Board of Education. Figures represent actual membership in grades pre-kindergarten through 12 on the 180th day of the 180-day school year which ended during the fiscal year.

(4) Source: State of Florida, Department of Labor and Employment Security, Bureau of Labor Market Information (<http://lmi.floridajobs.org/laus/laus.htm>)
United States Bureau of Labor Statistics (<http://www.bls.gov/cps/home.htm>).

(5) Information is not available.

CITY OF LEESBURG, FLORIDA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	Real Property Value⁽¹⁾	Construction⁽¹⁾	Bank Deposits⁽²⁾
1994	\$ 684,553,155	\$ 13,696,939	\$ 1,701,038,000
1995	\$ 708,062,608	\$ 5,298,985	\$ 1,735,416,000
1996	\$ 741,313,707	\$ 34,419,242	\$ 1,776,670,000
1997	\$ 802,430,571	\$ 13,692,566	\$ 2,032,242,000
1998	\$ 848,000,449	\$ 8,891,404	\$ 2,493,189,000
1999	\$ 824,703,152	\$ 14,319,390	\$ 2,578,694,000
2000	\$ 883,925,222	\$ 19,164,956	\$ 2,740,272,000
2001	\$ 921,705,364	\$ 17,114,388	\$ 3,018,316,000
2002	\$ 947,170,469	\$ 14,149,879	\$ 3,123,279,000
2003	\$ 998,610,356	\$ 23,480,364	\$ 3,268,387,000

Notes: (1) Source: Lake County Property Appraiser. Real property values represent just values of real property, including subsurface rights.

(2) Source: Florida Bankers Association. Figures shown represent total bank deposits in Lake County at September 30 of each year.

**CITY OF LEESBURG, FLORIDA
CORPORATE LIMITS AND ANNEXATIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Annexation Acres	Corporate Limits	
		Acres	Square Miles
1994	13.86	11,414.24	17.83
1995	157.68	11,571.92	18.08
1996	42.74	11,614.66	18.15
1997	1,547.18	13,161.84	20.57
1998	158.96	13,320.80	20.81
1999	496.19	13,816.99	21.59
2000	193.30	14,010.29	21.89
2001	3,720.96	17,731.25	27.71
2002	126.22	17,857.47	27.90
2003	1,025.04	18,882.51	29.50

Notes: (1) Source: City of Leesburg, Planning and Zoning Department, based annexations approved.

CITY OF LEESBURG, FLORIDA
PRINCIPAL EMPLOYERS⁽¹⁾
(100 OR MORE EMPLOYEES)
SEPTEMBER 30, 2003

Name of Employer	Number of Employees	Type of Business
Leesburg Regional Medical Center	1,800	Hospital
Sprint-Florida Incorporated	850	Telecommunications
Lake County School Board	538	Educational Institution
City of Leesburg	477	City Governmental Services
Lifestream Behavioral Center	450	Mental Health Services Provider
Wal-Mart Stores, Inc.	424	Retail Sales
Lake Port Properties	400	Retirement Community
Dura-Stress, Inc.	300	Concrete Fabrication
Hewitt Contracting	300	General Contractor
Avante Group, Inc.	180	Nursing Rehabilitation
Lake Sumter Community College	180	Two Year State Community College
Lake-Sumter EMS, Inc.	175	Emergency Medical Transport
Cutrale Citrus Juices, U.S.A., Inc.	163	Citrus Processing
Home Depot USA, Inc.	136	Retail Sales
Leware Construction Company	134	General Contractor
Sears, Roebuck and Company, Inc.	124	Retail Sales
Leesburg Daily Commercial, Inc.	112	Newspaper
Pringle Development, Inc.	110	Residential Communities Builder
First Baptist Church of Leesburg	105	Church Ministry Services

Notes: (1) Source: Economic Development Commission of Mid Florida, Inc.

CITY OF LEESBURG, FLORIDA
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2003

Date Created	July 12, 1875
Form of Government	Commission/manager
Area of Government	29.50 square miles
Miles of Streets (City Maintained):	
Paved	84.10 miles
Unpaved	3.17 miles
Electric System:	
Primary Electric Lines Within the City	376 miles
Daily Average Consumption	5.3 kwh
Number of Residential Customers	17,003
Gas System:	
Gas Mains	218 miles
Gate Stations	2
Daily Average Consumption	0.2 therms
Number of Residential Customers	8,458
Water System:	
Water Mains	325 miles
Daily Average Consumption	34 gallons
Number of Residential Customers	11,103
Maximum Plant Capacity Per Day	9,100,000 gallons
Deep Wells	15
Sewer System:	
Sewer Force Mains	103 miles
Sewer Gravity Lines	70 miles
Lift Stations	102
Disposal Plants	2
Number of Residential Customers	12,502
Maximum Plant Capacity Per Day	6,500,000 gallons
Building Permits:	
Permits Issued Within the City	406
Construction Value of Permits Issued	\$ 23,482,778
Recreation and Culture:	
Parks Managed	20
Total Recreation Acreage	280 acres
Libraries Maintained	1
Volumes Maintained	114,492 volumes

CITY OF LEESBURG, FLORIDA
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2003
(Concluded)

Fire Protection:	
Stations	3
Employees	44
Police Protection:	
Stations	1
Employees - Sworn	72
School System:	
Elementary	4
Middle School	2
High School	1
Adult	1
2-year College	1
4-year Accredited University (Cooperative Agreement)	3
4-year College for Disabled	1

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT AND
BUDGET (OMB) CIRCULAR A-133; AND THE *RULES OF
THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

CITY OF LEESBURG, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Section 8 Rental Voucher	FL115VO	14.857	\$ 899,331	\$ 899,331
Indirect Programs:				
Passed Through Florida Department of Community Affairs:				
Community Development Block Grant	03-DB-1A-06-45-02-C05	14.228	750,000	750,000
Total Department of Housing and Urban Development			<u>1,649,331</u>	<u>1,649,331</u>
U.S. Department of Justice				
Direct Programs:				
Community-Oriented Policing Services (COPS FAST)	95-CF-WX-0121	16.710	373,163	16,608
Bulletproof Vest Partnership	00-CM-WX-0063	16.607	11,792	3,569
Indirect Programs:				
Passed Through Florida Department of Law Enforcement:				
DARE/SRO	03-CJ-5A-06-45-02-093	16.579	34,125	34,125
Local Law Enforcement Block Grant	00-LB-BX-1315	16.592		0
Local Law Enforcement Block Grant	01-LB-BX-3831	16.592	67,183	38,635
Local Law Enforcement Block Grant	02-LB-BX-0891	16.592	65,859	34,443
Total Department of Justice			<u>552,122</u>	<u>127,380</u>
U.S. Department of Transportation Federal Aviation Administration				
Passed Through Florida Department of Transportation:				
Airport Improvement Program - Taxiway Extension	3-12-0042-011-2002	20.106	1,328,247	901,198
Total Expenditures of Federal Awards			<u>\$ 3,529,700</u>	<u>\$ 2,677,909</u>

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF LEESBURG, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2003

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Programs:				
Carver Heights Park	F02260	37.017	\$ 134,050	\$ 134,050
Lakeshore Drive	S0034	37.017	62,099	62,099
Total Florida Department of Environmental Protection			<u>196,149</u>	<u>196,149</u>
Florida Department of Transportation				
Aviation Development Grants:				
Land Acquisition	404917-1-44-01	55.004	0	0
Environmental Assessment Runway	407607-1-94-01	55.004	120,000	50,000
Taxilane Construction	407609-1-94-01	55.004	274,570	274,570
T-Hangar Construction	247506-1-84-01	55.004	60,000	60,000
Air Traffic Control Tower Construction	247556-1-84-01	55.004	400,000	62,438
Fuel Farm	413012-1-94-01	55.004	480,000	244,809
Hangar Construction	407691-1-94-01	55.004	425,000	425,000
Runway Rehabilitation	413392-1-94-01	55.004	47,736	44,076
Design Taxiway Construction	407621-1-94-01	55.004	26,055	26,055
Aircraft Rescue and Fire Fighting Facility	410091-1-94-01	55.004	1,077,600	91,135
Airport Entrance Signage	4148301-1-91-01	55.004	60,000	12,000
Airport Line Operation Building	415039-1-94-01	55.004	220,000	0
Airport Ramp Area	415039-1-94-01	55.004	300,000	0
Airport Security Enhancement	4015141-1-84-01	55.004	337,410	0
Total Florida Department of Transportation			<u>3,828,371</u>	<u>1,290,083</u>
Total Expenditures of State Financial Assistance			<u>\$ 4,024,520</u>	<u>\$ 1,486,232</u>

Note to the Schedule of Expenditures of State Financial Assistance

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General, Local Governmental Entity Audits*.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the basic financial statements of the City of Leesburg, Florida (the City), as of and for the year ended September 30, 2003, and have issued our report thereon dated December 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the City Commission in a separate letter dated December 31, 2003.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable City Commission
City of Leesburg
Leesburg, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

December 31, 2003
Ocala, Florida

Purvis, Gray and Company

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE
FINANCIAL ASSISTANCE PROJECT**

Honorable City Commission
City of Leesburg
Leesburg, Florida

Compliance

We have audited the compliance of the City of Leesburg, Florida (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City's major federal programs and state financial assistance projects are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance projects occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

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Honorable City Commission
City of Leesburg
Leesburg, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE
FINANCIAL ASSISTANCE PROJECT
(Concluded)**

Internal Control Over Compliance (Concluded)

In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the basic financial statements of the City. As of and for the year ended September 30, 2003, and have issued our report dated December 31, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550 *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

December 31, 2003
Ocala, Florida

Purvis, Day and Company

CITY OF LEESBURG, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

1. Summary of Audit Results

I. Type of Audit Report Issued on Basic Financial Statements

Unqualified Opinion.

II. Reportable Conditions and/or Material Weaknesses in Internal Control

Audit disclosed no instances of reportable conditions in internal control or reportable conditions which were material weaknesses in internal control.

III. Noncompliance Material to Auditee Basic Financial Statements

Audit disclosed no material instances of noncompliance.

IV. Reportable Conditions and/or Material Weaknesses in Internal Control Over the Major Programs

Audit disclosed no instances of reportable conditions in internal control over the major programs or reportable conditions which were material weaknesses in internal control over the major programs.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to the Major Programs

Unqualified Opinion.

VI. Audit Findings Relative to Major Federal Award Programs and State Financial Assistance Projects

The audit disclosed no findings required to be reported.

VII. Programs/Projects Tested as Major Programs/Projects

Federal Program

U.S. Department of Transportation, Federal Aviation Administration:
Airport Improvement Program (20.106)

State Project

Florida Department of Transportation:
Aviation Development Grants (55.004)

CITY OF LEESBURG, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
(Concluded)**

1. **Summary of Audit Results** (Concluded)

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Programs

\$300,000

IX. Auditee Qualification as Low-risk Auditee

The auditee qualifies as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

2. **Findings Related to the Basic Financial Statements Required to be Reported Under GAGAS**

The audit disclosed no findings which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Federal Awards and State Financial Assistance Projects**

The audit disclosed no findings which are required to be reported.

CITY OF LEESBURG, FLORIDA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN
ACCORDANCE WITH OMB CIRCULAR A-133**

1. **Status of Prior Audit Findings**

There were no audit findings reported in our prior year's audit schedule of findings and questioned costs.

CITY OF LEESBURG, FLORIDA
CORRECTIVE ACTION PLAN IN
ACCORDANCE WITH OMB CIRCULAR A-133

1. **Corrective Action Planned for Current Year Audit Findings**

There are no current year audit findings included in the current year's schedule of findings and questioned costs.

**INDEPENDENT AUDITORS' REPORT ON EXAMINATION
OF MANAGEMENT'S ASSERTION ABOUT COMPLIANCE
WITH SPECIFIED REQUIREMENTS**

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have examined management's assertion included in its representation letter dated December 31, 2003, that the City of Leesburg, Florida (the City) complied with the allowable cost requirements of the grants and aids appropriations identified in the schedule of expenditures of federal awards and state financial assistance for the year ended September 30, 2003. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the allowable cost requirements of the grants and aids appropriations identified in the schedule of expenditures of federal awards and state financial assistance during the fiscal year ended September 30, 2003, is fairly stated, in all material respects.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

December 31, 2003
Ocala, Florida



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MANAGEMENT LETTER

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the financial statements of the City of Leesburg, Florida, (the City) as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated December 31, 2003.

We have issued our independent auditors' report on compliance and on internal control dated December 31, 2003. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(a)] require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules and regulations, and contract provisions reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding audit report.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(b)] require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been addressed by the City.

The *Rules of the Auditor General* [Section 10.554(1)(g)2.] require that we determine whether the City complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Sections 10.554(1)(g)3. and 4.(a), (b), and (c)] require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, and regulations which may or may not materially affect the

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Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER
(Concluded)

financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. (Please see management letter comments dated December 31, 2003.)

The *Rules of the Auditor General* [Section 10.554(1)(g)5.] also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Please see note 1 of the accompanying basic financial statements.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(a)], the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City, is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(b)], we determined that the financial report for the City of Leesburg, Florida, for the fiscal year ended September 30, 2003, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.

The *Rules of the Auditor General* [Section 10.554(1)(g)6.(c)] require that we disclose that we have applied financial condition assessment procedures pursuant to Rule 10.556(8).

This management letter is intended solely for the information and use of the City Commission, management, the State of Florida, and other governmental agencies, and is not intended to be and should not be used by anyone other than these specified parties.

December 31, 2003
Ocala, Florida

Furvis, Gray and Company

MANAGEMENT LETTER COMMENTS

Honorable City Commission
City of Leesburg
Leesburg, Florida

During the course of our audit, the following item came to our attention. These items involve primarily operational matters which, if improved, will result in more efficient and effective operations:

Current Year Recommendations

Pension Benefit Payment Controls

The City's General Employee, Police Officers' and Firemen's pension plans currently pay retirement benefits to several retirees. These benefits are paid to the retirees by an external paying agent that provides the City with a benefit register on a monthly basis. We believe that internal control over this area would be strengthened if the City would develop a procedure to at least annually, confirm that all retirees (and their surviving spouses in the case of joint annuity option) receiving benefits are still living and eligible to receive benefits. This would detect the fraudulent cashing of deceased retiree checks by surviving family members not entitled to those benefits.

Payroll Overtime

The personnel policy of the City in effect during 2003 provides for overtime pay for employees when hours exceed forty per week, even if sick or vacation time is taken during the pay period. Although permissible, it is our understanding that wage and hour law does not require overtime be paid at time and a half during a pay period when vacation and sick time is taken. The effect of this policy is to add costly overtime pay to the City even when employee attendance at work does not exceed forty hours per week because of vacation or sick time taken. We recommend that the City review the cost benefit of this policy for possible discontinue of this practice.

Utility Billing Determinates

The City's utility revenues for 2003 total nearly 60 million dollars and come from six different service functions; electric, gas, water, wastewater, sanitation and storm water services and also include various state and local taxes and fees. Each utility has several rate classes, different rate structures and a multitude of billing determinates that effect the ultimate bill that the customer receives such as; impervious surface square footage, meter multipliers (KWH and KW), tax exemptions, gas factors, sprinkler pipe size, dumpster size and pickup frequency, power factors, yard light quantity and size, load management credits and other related items. Because of the importance of these items in computing the customers' bill and the fact that they change over time, we recommend the City continue its program of verifying all key billing determinates by physical inspection of customer premises on a rotating basis. This will add assurance that all customers are billed in accordance with the City's intent.

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Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Pole Rental Counts

The City charges a pole rental fee to telephone and cable companies that attach their lines to the City's utility poles. The rate charged is determined by contract and the quantity billed is based upon prior year quantities updated for current year attachment requests. It is our understanding that it has been several years since the City has taken a field inventory of all pole rental attachments to verify the quantities being billed. Through further conversations with the Electric Utility Director, we understand the City has begun to process to physically inventory and digitally map the location of all utility poles in fiscal year 2004, and will update that inventory every five years. The inventory will include detailed descriptions of all attachments to the poles. We recommend that the City dedicate the necessary resources to complete the field inventory of all pole attachments and update its billing records to ensure that all potential pole rental revenue is being billed.

Interim Financial Reporting

The City's basic general ledger software does not facilitate the preparation of monthly financial statements for all major funds for management and council review. Also, because the City has a significant concentration of enterprise funds with significant balance sheets, it is important that interim financial reporting include financial position as well as results of operations. Accordingly, we recommend that the City review its report writing software with the goal of building comparative balance sheets and income statements compared to budget and prior year for all major funds. We believe that such reports will help City staff and elected officials better understand and manage the City's financial affairs.

Cash Collection Controls

The building and zoning department currently collects checks and cash without the benefit of a cash register or follow-up procedures to account for all pre-numbered receipts issued. This leaves the City vulnerable to employee theft or error of potentially significant amounts of checks and cash. Accordingly, we recommend that the department put in cash registers so that all transactions will be captured at the point of sale, which should reduce the chance of loss to the City to an acceptable level.

Risk Management

The City self-insures medical care and workers compensation, but has historically not had a good system to track and communicate claims paid by department so that safety training and other remedial efforts can be focused where needed the most. Accordingly, we recommend that claims by department be tracked, monitored and communicated, with appropriate follow-up as necessary.

Also the City's safety program might benefit from safety incentives to motivate workers to become more safety conscious and therefore minimize accidents in the work place.

Our inquiry of the recently hired risk management employee indicates that work is currently in progress to implement both of these points.

Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Check Fraud Protection

The American Bankers Association reports that check fraud is growing at a rate of 25% per year. The two most common forms of check fraud are counterfeiting and alterations. Today's technology makes both of these methods relatively easy for anyone with a criminal intent. Local governments in the south Florida area have been reporting numerous instances of counterfeiting over the past several years.

Perhaps the most effective way to combat check counterfeiting is through the use of positive pay service offered by most banks. The system works by the City electronically submitting to its bank a listing of authorized checks issued, to be used as a control list for the bank to compare to all checks presented for payment from the City's account. Any counterfeit checks presented for payment would not be on the City's list and not paid by the bank. We recommend that the City review this topic internally and with its local bank to determine if it would be beneficial.

Airport Development

The City has over the past several years been in the process of developing its local airport into a regional airport designed to support and enhance the general aviation needs of the Metro Orlando area and stimulate the local economy. As a part of this process, in February 2003, the City acquired real estate costing approximately 1.3 million dollars, associated with an airport improvement project that was intended to be funded by an amendment to an existing State Airport Grant. The real estate purchase was unfortunately completed prior to the State approving an amendment to the grant for the acquisition and therefore, unallowable under the terms of the grant. The City has pursued a settlement agreement with the State for reimbursement of the purchase, which appears promising, however as of December 30, 2003, the State has not formally approved the settlement agreement or reimbursed the City for the purchase. Accordingly, we recommend that the City continue its ongoing efforts with the State to obtain reimbursement and that the City review its controls over expenditures intended to be reimbursed by grants to ensure that they are made in accordance with the terms of the grant and therefore reimbursable.

Utility Funds

During the year ended September 30, 2003, the City's four utility funds experienced net losses. For the Electric and Water funds, this was primarily due to special transfers to the City's Capital Projects Fund to finance special one-time projects, however for the Gas and Wastewater funds, this condition appears to be a matter of revenues not keeping up with costs. In order to maintain the long-term health of the Utility funds and ensure compliance with City Ordinance No. 2000-35, which does not allow Operating Transfer Out of the Utility funds if they result in a net loss to the fund, we recommend that the City review the rates and costs of all Utility funds for possible change.

These management letter comments are intended solely for the information and use of the City Commission, management, the State of Florida, and other governmental agencies, and are not intended to be and should not be used by anyone other than these specified parties.

Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

We would like to take this opportunity to express our appreciation for the courtesies which have been extended to our staff. If you have any questions or comments about the contents of this letter, or the information accompanying this letter, please do not hesitate to contact us.

December 31, 2003
Ocala, Florida

Purvis, Gray and Company

**City Responses To The
Preliminary Audit Comments and Recommendations
September 30, 2003
City of Leesburg**

Pension Benefit Payment Controls

Response: External paying agents were contacted and queried about relevant services they provide, which proved to be inadequate for our needs. Alternative control procedures are being analyzed.

Payroll Overtime

Response: By resolution adopted by the Board of Commissioners on Feb 23, 2004, Personnel Rule 211 was amended to state that vacation and sick time taken shall not be considered hours worked for the calculation of overtime.

Utility Billing Determinates

Response: The gas and electric department physically inspects and audits, on a rotating basis, commercial customer premises for electrical service, special lighting and gas service. City meter readers are trained to inspect water, electric and gas meters for faults and defects and do so at each monthly reading. The Solid Waste Division conducts monthly site checks of dumpster locations and verifies accounts accordingly. The Customer Service staff is trained to review customer rates and account setup each time an account is accessed.

Pole Rental Counts

Response: By resolution adopted by the Board of Commissioners on Feb 23, 2004, a consultant was hired to perform on-site inventory of all electric transmission poles in the system determining GPS coordinates and all attachments. The inventory will be included in the GIS system and the database will include owner's name for each pole attachment. An accurate count of attachment owners will be available at any time

Interim Financial Reporting

Response: Staff recognizes the need for improved monthly financial reporting. Finance is analyzing the use of Cognos report writer to produce improved monthly balance sheets.

Cash Collection Controls

Response: In March 2004, cash registers and receipt printers will be installed at several remote city facilities in conjunction with the implementation of the new program to receive fees by the use of credit cards. Planning and Zoning is one of the remote facilities that will receive a cash register and receipt printer.

Honorable City Commission
City of Leesburg
Leesburg, Florida

**RESPONSES TO THE
MANAGEMENT LETTER COMMENTS**
(Continued)

Risk Management

The Safety Committee is researching potential safety incentive programs for implementation prior to October 2004.

Check Fraud Protection

The city has received information from its primary bank and is analyzing the feasibility of a positive/control pay service.

Airport Development

The real estate purchase closing transaction took place after the grant had been approved but prior to approval of the amendment. The City recognized the grant approval and proceeded with the closing not realizing that the action would be in violation of the grant agreement.

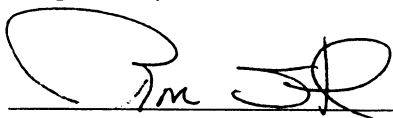
The City arduously pursued the settlement agreement with the State and the \$1.3 million settlement was finally received in March 2004.

The City will continue to make every effort to ensure that expenditures intended to be reimbursed by grants are made in accordance with the terms of the grants.

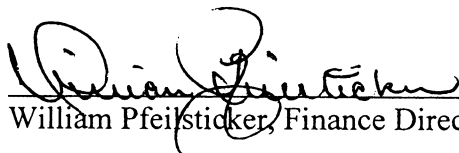
Utility Funds

By resolution adopted by the Board of Commissioners on November 10, 2003, FMPA sub-contractor, R. W. Beck, Inc., was hired to conduct rate studies for electric and gas rates. The study will be completed in March 2004. The third increment of rate increases for water and wastewater rates will be implemented October 1, 2004. Cost to Rate ratios will be analyzed in conjunction with that rate increase.

Respectfully,



Ron Stock, City Manager



William Pfeilsticker, Finance Director